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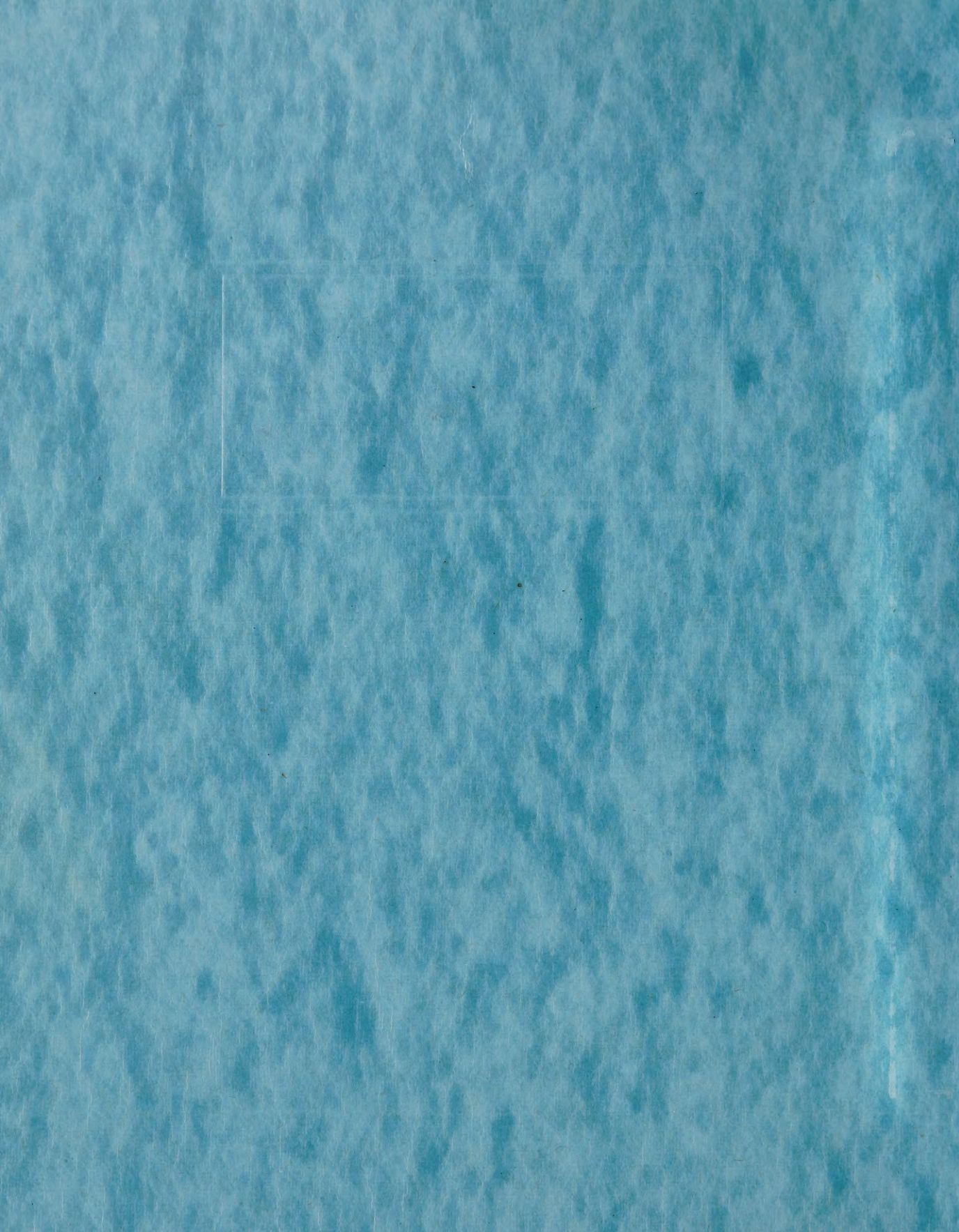
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Subject/Sujet  
Federal-Provincial Conference of Ministers of Industry



OPENING REMARKS

BY

THE HONOURABLE JACK. H. HORNER

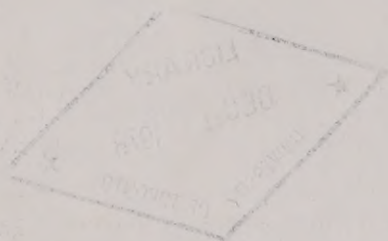
ON RESPONSES TO

CANADIAN INDUSTRY

NOVEMBER 7, 1978

OTTAWA







In opening this meeting, and looking at our agenda, I would like to discuss briefly three general points.

One is the state of Canadian manufacturing, how that state has improved somewhat since we last met and what we have done to assist that improvement.

Second is the unprecedented network of industry-labour-government consultations in 1978 as to where manufacturing, construction and tourism are and where they should be going. We were responsible for putting those exercises in train, through the First Ministers last February. Now we are here charged with responding to the 23 sector task force reports and the overall "Second Tier" report on broader policy questions. For the federal level I will be able to detail in conference papers a very active set of responses already made and plans well advanced for more to come. I believe you and I share a commitment to move together in areas where both levels of government should act... and I am confident we will have good solid recommendations to make to the First Ministers' meeting later this month.

Third, and in line with item 4 of the agenda, I will mention an array of programs and policies, some started, others planned, for industrial adjustment development and to assist firms to meet the world competition of the 1980s.

### The Performance of Industry

When we met here a year ago, we were witnessing a decline in manufacturing employment. Profits and investment had tended for some time to be low. Capacity utilization was low. We had a trade deficit in manufactured goods, especially in end products.

One reason was that our cost position had been relatively poor, especially compared with the United States, although even then it was improving because of the AIB program. The United States and other countries were having serious economic troubles, and greater protectionism resulted. Several developing nations began rapid industrialization. Our own research and development effort, especially in industry, had been too low. And there was the political uncertainty we have been experiencing in Canada for some time.

How does it look now? Most of the concerns I have mentioned are still there to one degree or another. But they are modified, the sky is much brighter and in the newspapers now once-gloomy economists are saying that our economy is turning the corner.

Certainly, we have had a modest but reasonably sustained recovery over the last 18 months, following the big drop in the second half of 1976. GNP grew in real terms by 2.7 per cent in 1977 over 1976, and by 4 per cent in the first half of 1978 -- that is second only to the growth rate achieved by Japan among members of the OECD.

Strength in merchandise exports was the main reason for the growth in the economy. That strength was due in part to the major depreciation in the value of the Canadian dollar, to the point where I believe it is undervalued now in an economy poised to move ahead strongly if our biggest purchaser, the United States, can only get its economics right. There also has been a relative moderation in wage settlements in the past two years. One of our papers discusses wage settlements, productivity gains and unit labour costs, in the economy as a whole and in manufacturing: the result is really quite respectable. Additionally, although it sometimes may not appear that way, our labour relations climate has improved, at least over the bad old days of strikes in 1975 and 1976.

Another factor for strength is our improving energy picture, with important new oil, gas and uranium expansions of supply making Canada look more attractive as a location for investment.

Our manufacturing sector has responded, and I think it's worthwhile making a few points here about just what has been happening.

- Manufacturing real output grew in 1977 by 3.8 per cent, and in the first half of 1978 by 6.6 per cent, well above the overall growth rate for the economy.
- Manufacturing employment in the first half of 1978 grew by more than 4 per cent, or 78,000 jobs, reversing the job loss trend of recent years.
- Manufacturing shipments increased at an annual rate of 19 per cent in the first half of 1978. Further strength is indicated by an increase in unfilled orders of almost 18 per cent while finished goods inventories grew only moderately.
- Our manufactured goods exports increased by almost 21 per cent in 1977 and by 23 per cent again at annual rates in the first half of this year. Our manufactured goods imports rose by 13.9 per cent in 1977 and by 17 per cent in the first half of 1978. The trade deficit on manufactured goods was about \$4 billion in 1977 and about \$3 billion at an annual rate for the first half of this year.
- Capacity utilization rates were about 84 per cent in manufacturing in 1976 and 1977, and only very recently have begun to move up. However, the value of manufacturing business investment rose by 16.5 per cent in 1977, following a poor 1976, and is estimated to rise by 18.8 per cent this year. Gains in investment are much lower, of course, when you remove the inflation factor. A reduction in unused capacity should mean expanded investment plans in the next few years.



- Profits were up 12 per cent in 1977 over the level recorded in 1976. For the first quarter this year, they were up a further 8.1 per cent. Once again, this is not an across-the-board improvement. Industries closely tied to exporting, including wood products, forestry, paper and allied goods, and primary metals, had the best profit gains in the first quarter this year.

The above has not been to suggest that we are in some kind of economic and manufacturing boom. Clearly, our economy still operates well below potential, and some of the favourable factors I have cited may be cyclical in nature. We still have inflation, high unemployment and some excess industrial capacity. We still must address the various structural problems identified in the consultation process. There has been a considerable return of that most important factor of all -- confidence by the private sector. But we need to do more to encourage that confidence by repeating and continuing to demonstrate our commitment to economic development through the private sector.

#### Industry-Labour-Government Consultations

The individual sector task forces and the Second Tier exercise in consultation have proved, I believe, to have been of great importance in helping to restore in private enterprise the feeling that Canadian governments indeed do have such a commitment.

It's no secret that business and labour were very wary at first. They wondered whether the exercise was real and not purely political. They soon saw that they were running the consultations, and were not being stage-managed by bureaucrats or politicians. They made their reports, with recommendations that sometimes made some of us in the federal government, at least a little uncomfortable. But we welcomed them.

Protectionism wrestled with freer trade on those task forces. Businessmen and labour representatives found, to their considerable surprise, areas where they could agree as well as disagree. All concerned had to try to hammer out consensus from their own vested interest views. It was a learning experience which will leave its mark on labour-business-government relations and the development of public policy for years to come -- if we respond adequately now.

The credibility of the exercise lies with us. Ministers know that both business and labour very much wish for a continuing consultative process -- if and when we move ahead adequately on this one. I believe and hope we all are committed to do that.

## Government Responses

You will recall, the chief commitment of First Ministers was to rely on private enterprise to achieve economic growth, and to reduce government intervention. I think federal and provincial governments have emphasized spending restraint and fiscal responsibility in the past year. We have responded to First Ministers' directions in many ways: the Economic Council of Canada study of the burden of government regulation is underway. The federal government has increased tax incentives for industrial R & D and announced a number of new programs to encourage R & D activity. "Shop Canadian" was launched by the federal government last May and some provinces have undertaken similar programs. And as you know there have been intensive consultations with the provinces and industry on the MTN.

For the federal level, the paper tabled with this meeting, "Action for Industrial Growth", shows the scope of our response both to First Ministers and to the recommendations of business and labour.

Without going into specific detail, it shows how the Federal Government has responded by expenditure reductions and public service employment and salary constraint, to reduce the share of resources claimed by the federal government. It lists as "actions underway" agreements with provinces to financially support economic infrastructure projects, industrial parks, steel plants, a Ford Motor Company engine plant, energy projects, shipbuilding and dry docks and others. There is a long list of incentives through taxation this year to support energy, R & D, small businesses, investment and sales of retail goods. And the Minister of Finance has undertaken to respond in a forthcoming budget to a number of the concerns raised by sector consultations.

In direct response to sector consultations, the paper lists actions underway and planned with respect to environmental measures, transportation policies, the burden of government regulations, on trade policy, competition policy and procurement policy. There is a large range of activity underway and planned in encouragement to research and development, with respect to labour market policies, in support of marketing initiatives. There are new or expanded industrial support programs through my department and special measures for the small businesses which make up the majority of Canadian enterprises.

On the subject of small businesses, it is too little understood just how much has been done both to provide incentives and to remove long-standing irritants. There have been several tax incentives, with respect to federal sales tax, tax on imported production machinery, broader capital loss deductions, tax-free transfer of small business holdings to children or grandchildren. We have launched a search for vehicles to provide equity financing for small business, through a discussion paper tabled in Parliament. We have launched work to reduce government paperburden, affecting 265,000 businesses thus far. In the federal government, we are ensuring that small firms get a fair share of government contracts. These developments and others are taking place in conjunction with and the support of my colleague, Tony Abbott, the Minister of State for Small Business.



## Industrial Adjustment

Finally, you know that I recently announced a package of industrial support measures to facilitate innovation, modernization and reorganization of firms to help meet the competition of the 1980s. Loan guarantees go from \$350 million to \$1 billion, grants and insurances are expanded, and a specialized MTN panel will be set up to assist companies hurt by the outcome of the MTN. Provinces and the federal government will have to work together to assist firms and communities particularly hurt, although I hasten to say we believe such cases can and will be minimized.

## Provincial and Federal Responses

Many sector consultation recommendations have to do with the federal and provincial governments together and 40 or so relate to provincial governments alone.

In the areas where we both have roles, I hope we today will be able to recommend joint action to First Ministers. One critical area is in regulatory activity: there often is duplication between the two levels -- and we should work to streamline that.

In the area of trade, we all can encourage or facilitate the formation of consortia, when opportunities are identified by private sector players, so as to bring Canadian units together into more effective export activity. We in the federal government will see that safeguard procedures, including anti-dumping and countervail procedures, are improved.

There is much we can do together in export promotion, in job-oriented labour market training, in the development generally of labour market policies. Provinces can do more in harmonizing labour legislation, training programs and certification practices. We all can make more effective our support for R & D, and make more effective -- on behalf of competitive Canadian suppliers -- our government purchasing practices.

I have skimmed the surface of the things we should discuss today and will stop now so that we can get at them. We know that, in the minds of industry and labour, a lot is riding on the quality of our response today and on our recommendations to First Ministers.

Executive Summary

The purpose of this study was to determine the effect of the proposed changes on the financial position of the company. The study was conducted over a period of six months, from January to June 1980. The results of the study are as follows:

1. Financial Position

The financial position of the company at the end of the study period was as follows:

The company's assets at the end of the study period were as follows:

The company's liabilities at the end of the study period were as follows:

The company's equity at the end of the study period was as follows:

The company's cash flow at the end of the study period was as follows:

The company's operating income at the end of the study period was as follows:



Beaucoup des recommandations émises à l'issue des consultations sectorielles portent sur les gouvernements fédéral et provinciaux, et environ 40 d'entre elles sur les seuls gouvernements provinciaux.

J'espère qu'aujourd'hui nous serons en mesure de recommander des actions communes aux Premiers Ministres dans les domaines où nous jouons ensemble un rôle. Un des domaines critiques a trait au pouvoir de réglementations: il y a souvent une duplication des rôles entre les deux niveaux de gouvernement et nous devrions canaliser ce domaine.

En ce qui concerne le commerce, nous pouvons tous encourager ou faciliter la formation de consortiums quand les occasions sont identifiées par les joueurs du secteur privé. Cela afin de rassembler les unités canadiennes ensemble dans un cadre d'exportation plus efficace.

Le gouvernement fédéral verra à ce que les mesures de protection (y inclus celles concernant l'anti-dumping et les mesures compensatrices) soient améliorées.

Il y a beaucoup de choses que nous pouvons faire ensemble, dans le domaine de l'exportation, de la formation professionnelle orientée vers le marché du travail, et dans le développement de politiques du marché du travail. Les provinces peuvent faire plus pour harmoniser la législation du travail, les programmes de formation et les certificats de pratique. Nous pouvons tous améliorer l'efficacité de notre soutien au R et D et l'efficacité des méthodes d'achats gouvernementales et ceci pour les fournisseurs canadiens concurrentiels.

J'ai survolé les sujets que nous allons aborder aujourd'hui et je vais maintenant terminer afin que nous puissions les attaquer sans tarder. Nous savons que, pour le monde de l'industrie et des syndicats, nous ferons beaucoup d'espérer qui dépend de la richesse des réponses que Premiers Ministres.

de "mesures en cours" les accords avec les provinces pour financer des projets d'infrastructure économique, comme les parcs industriels, les aciéries, une usine de moteurs de la compagnie Ford Motor, les projets de production d'énergie, la construction navale et celle de quais, etc. La liste des mesures d'incitation à la relance économique par des réductions d'impôt est longue et s'applique à l'énergie, aux R et D, aux petites entreprises, à l'achat et à la vente de marchandises de détail. De même, le Ministère des finances a entrepris de régler dans le prochain budget certains problèmes soulevés par le secteur des consultations.

En réponse aux consultations sectorielles, le rapport énumère les mesures prises compte tenu des limites imposées par la protection de l'environnement, des politiques de transport, des limitations imposées par le gouvernement, de la politique commerciale, de la politique sur la concurrence et l'approvisionnement. Il y a un grand éventail d'activités en étude dans le but d'encourager la recherche et le développement, tout en tenant compte de la politique du marché du travail, pour supporter les initiatives de marketing. Mon ministère a élaboré ou prolongé des programmes d'aide à l'industrie ainsi que des mesures qui s'adressent spécialement aux petites entreprises qui sont majoritaires au Canada.

Quant aux petites entreprises, on n'a pas beaucoup prêté d'attention à tout ce qui a été fait pour les relancer ou pour supprimer les difficultés qu'elles éprouvent depuis longtemps. On les a stimulées, en réduisant leurs impôts, en tenant compte de la taxe de vente fédérale, de la taxe sur l'importation d'équipement de production, des déductions sur les pertes de capital trop élevées, de l'exemption de taxe lors du transfert de propriété de petites entreprises aux enfants ou aux petits-enfants. Nous sommes mis à rechercher des moyens garantissant le financement équitable pour les petites entreprises en présentant un document de travail devant le Parlement. Nous avons travaillé à réduire la paperasserie au gouvernement dont la lourdeur affecte aujourd'hui 265 000 entreprises. Au gouvernement fédéral, nous nous assurons que les petites sociétés obtiennent une part égale des contrats gouvernementaux. C'est grâce à l'aide et au travail en commun avec mon collègue, monsieur Tony Abbott, Ministère d'État aux petites entreprises, que ce changements présents et à venir peuvent se faire.

## Réajustement industriel

Finalement vous savez que j'ai récemment dévoilé un ensemble de mesures d'aide industrielle pour favoriser l'innovation, la modernisation et la réorganisation des firmes pour faire face à la concurrence des années 1980. Les prêts garantis passent de \$350 millions à \$1 milliard, les subventions et les assurances sont augmentées et un groupe spécialisé dans les NCM va être formé pour aider les compagnies qui sont lésées par les résultats des NCM. Les provinces et le gouvernement fédéral devront travailler de concert pour aider les firmes et les communautés particulièrement touchées, bien que je m'empresse de dire que de tels cas peuvent et seront minimisés.



Ce n'est un secret pour personne qu'au début, le monde des affaires et des syndicats était circonspect. On se demandait si tout cela était bien réel ou simplement politique. Très rapidement, ils ont constaté que c'est eux qui dirigeaient les consultations, et qu'ils n'étaient pas dirigés par des fonctionnaires ou des politiciens. Ils firent leurs rapports et leurs recommandations qui, quelquefois, nous, du gouvernement fédéral, nous placèrent en situation peu confortable.

Mais nous les accueillîmes fort bien. Au sein du groupe de travail, le protectionisme luttait avec le "libre-échangeisme". Les hommes d'affaires et les syndicalistes découvrirent à leur grande surprise qu'ils pouvaient s'entendre dans certains domaines et aussi être en désaccord dans d'autres. Toutes les parties durent essayer de forger un consensus à partir de leurs propres intérêts. Ce fut une expérience enrichissante qui laissera sa marque sur les relations entre le monde syndical, des affaires et le gouvernement ainsi que sur le développement futur des politiques publiques... cela si nous pouvons maintenant réagir adéquatement.

La crédibilité de cette entreprise repose sur nous. Les ministres savent que le monde des affaires et syndical souhaite vivement continuer le processus de consultation... à condition que nous agissions adéquatement pour celui-ci. J'espère et je crois que nous sommes tous engagés vers cela.

#### Réactions du gouvernement

Vous vous rappellerez que le gouvernement a pris l'engagement de laisser aux entreprises privées le soin de développer l'économie et de minimiser ses interventions. Je pense que les gouvernements fédéral et provinciaux ont mis l'accent sur les restrictions et la responsabilité fiscale. Nous avons réagi de plusieurs manières aux directives des Premiers Ministres: le Conseil économique du Canada a entrepris des études portant sur la lourdeur des règlements imposés par le gouvernement. Le gouvernement fédéral a stimulé les R et D de l'industrie en réduisant les impôts et a annoncé d'autres initiatives pour encourager les R et D. Au mois de mai dernier, le gouvernement fédéral a lancé le slogan "Magasinons à la canadienne" et d'autres provinces ont mis sur pied des programmes semblables. Et comme vous le savez, il y a eu des pourparlers intensifs entre les provinces et l'industrie sur les NCM.

Au niveau fédéral, notre document de travail intitulé "Mesures pour relancer l'économie" montre la portée de notre réaction en réponse aux Premiers Ministres et aussi aux recommandations du milieu des affaires et du milieu syndical.

Sans aller trop loin dans les détails, il démontre comment le gouvernement fédéral a réagi: il a réduit le pouvoir d'achat, limité le nombre des emplois du secteur public ainsi que les salaires, afin de diminuer la part des ressources réclamée par le gouvernement fédéral. Il qualifie

- Nos exportations de produits manufacturés ont augmenté de presque 21% en 1977 et de 23% en moyenne annuelle au cours de la première moitié de cette année. Nos importations de produits manufacturés ont augmenté de 13,9% en 1977 et de 17% au cours de la première moitié de 1978. Le déficit de la balance commerciale des produits manufacturés était de \$4 milliards en 1977 et de environ \$3 milliards (en taux annuel) au cours de la première moitié de cette année.

- Les taux de capacité de production étaient en 1976 et 1977 de 84% dans le secteur manufacturier, et ce n'est que très récemment qu'ils ont commencé à remonter. Toutefois, la valeur des investissements commerciaux dans le secteur manufacturier a augmenté de 16,5% en 1977, par rapport à une pauvre année en 1976. L'augmentation de ce taux est prévu aux alentours de 18,8% cette année. Les gains en investissements sont évidemment plus faibles si vous retirez le facteur de l'inflation. Une réduction dans la capacité de production non utilisée devrait indiquer une augmentation des projets d'investissements au cours des prochaines années.

- Les profits ont augmenté de 12% en 1977 par rapport au niveau record de 1976. Au cours du premier trimestre de cette année, ils étaient en augmentation de 8,1%. Une fois de plus, ce n'est pas une amélioration générale. Les 8 industries proches de l'exportation, tels les produits forestiers, les dérivés du bois, les papiers et autres produits connexes, ainsi que les matériaux bruts, ont fait les meilleurs profits au cours du premier trimestre de cette année.

Ce qui a été ci-haut mentionné n'a pas pour intention de laisser croire que nous sommes dans une sorte de boom économique et manufacturier. Très clairement, notre économie fonctionne très en-dessous de son potentiel et certains des facteurs favorables que j'ai cités peuvent être d'une nature cyclique. Nous devons encore nous attaquer aux différents problèmes structurels tels que constatés au cours des consultations. Il y a eu un retour considérable du facteur le plus important de tous: la confiance du secteur privé. Mais nous avons encore davantage besoin d'encourager cette confiance en répétant et démontrant continuellement notre engagement vis-à-vis le développement économique par l'intermédiaire du secteur privé.

Consultations entre l'industrie, les syndicats et le gouvernement

Les consultations faites par les groupes de travail sectoriels et le comité du deuxième niveau ont eu, je crois, une grande importance dans le rétablissement au sein du secteur privé, du sentiment que les gouvernements du Canada se sont vraiment engagés.



De quoi tout cela a-t-il l'air maintenant? La plupart des enquêtes dont j'ai parlé sont à un degré ou à un autre encore présentes. Mais elles se sont modifiées, le ciel est plus clair et les journaux rapportent les propos d'économistes, autrefois pessimistes, qui maintenant déclarent que notre économie a passé le mauvais cap.

Bien sûr, le rétablissement de notre économie au cours des derniers 18 mois a été modeste, bien que raisonnablement soutenu.

Après la grande baisse de la deuxième moitié de 1976. Le produit national brut a, en termes réels, augmenté en 1977 de 2,7% par rapport à 1976 et de 4% au cours de la première moitié de 1978. Ces résultats nous placent en deuxième position derrière le Japon parmi les pays de l'OCDE.

La solidité des exportations de marchandises a été la principale raison de la croissance de l'économie. Cette solidité est en

partie due à la dépréciation importante de la valeur du dollar canadien, au point où je vois que notre dollar est sous-évalué dans le contexte d'une économie prête à progresser vigoureusement si notre principal acheteur, les Etats-Unis, peut remettre son économie en ordre. Il y a eu aussi au cours des deux dernières années une modération relative des demandes salariales.

Un de nos dossiers traite des accords sur les salaires, des

gains de productivité et des coûts de main-d'œuvre par unité dans l'ensemble de l'économie et dans le domaine manufacturier: le résultat est fort respectable. De plus et quoi qu'il n'en ait pas toujours l'air, le climat des relations de travail s'est amélioré, tout au moins par rapport aux mauvais jours des grèves de 1975 et 1976.

Un autre facteur de solidité est l'amélioration de notre situation énergétique. De nouvelles augmentations de l'approvisionnement en pétrole, gaz naturel et uranium rendent le Canada plus attrayant aux yeux des investisseurs.

Notre secteur manufacturier a réagi, et je crois qu'il vaut la peine de noter quelques-unes des choses qui sont arrivées.

- La production manufacturière réelle a augmenté en 1977 de 3,8% et dans la première moitié de 1978, de 6,6%, bien au-dessus du taux d'augmentation général de l'économie.

- L'emploi dans le secteur manufacturier a augmenté de 4% soit 78 000 emplois dans la première moitié de 1978, renversant ainsi la tendance à la perte d'emplois des années précédentes.

- Les expéditions de produits manufacturés ont augmenté à un taux annuel de 19% au cours de la première moitié de 1978. Un autre renforcement de l'économie est révélé par l'accroissement de 18% des commandes non remplies, alors que les stocks n'ont que modérément augmenté.

Pour ouvrir cette réunion, tout en gardant à l'esprit l'ordre du jour, j'aimerais aborder brièvement trois points d'ordre général.

Le premier concerne l'état du secteur industriel canadien, de quelle façon il s'est amélioré depuis notre dernière rencontre et ce que nous avons fait pour contribuer à cette amélioration.

Le second a trait au système de consultations sans précédent entre l'industrie, les syndicats et le gouvernement qui, en 1978, a étudié le secteur industriel, de la construction et du tourisme, pour établir où ces derniers se situent et où ils vont. En février dernier, les Premiers Ministres nous confèrent la mise en marche de ces études. Nous voici aujourd'hui chargés de répondre aux rapports des 23 groupes de travail sectoriels et au rapport du comité du "Deuxième niveau" portant sur des questions de politique plus générale. Au nom du gouvernement fédéral, je vais pouvoir énumérer à partir des dossiers de la conférence un ensemble de réactions dynamiques, déjà connues et des projets très avancés pour de nombreuses autres choses à venir. Je crois que vous et moi partageons le même engagement qui vise à accorder nos violons là où les deux niveaux de gouvernement doivent agir... et je suis certain que nous aurons de bonnes et solides recommandations à faire aux Premiers Ministres pour leur réunion qui se tiendra plus tard ce mois-ci.

Troisièmement et dans le même ordre d'idée que le point no 4 de l'ordre du jour, j'aborderai la question de l'ensemble du programme et de politique, certains en route, d'autres en projet, visant à ajuster le développement industriel et à aider les firmes à faire face à la concurrence mondiale des années 1980.

#### La performance de l'industrie

Lorsque nous sommes rencontrés ici, il y a un an, nous assistons à un déclin de l'emploi dans le secteur manufacturier. Les profits et les investissements avaient depuis quelque temps tendance à être bas. L'utilisation des capacités productives était faible. Nous avons un déficit commercial dans le domaine des produits manufacturiers, et particulièrement dans les produits finis.

Une des raisons à cela était que le niveau de nos coûts nous plaçait dans une position relativement défavorisée, surtout en comparaison des Etats-Unis. Toutefois, à ce moment-là, notre situation était en train de s'améliorer grâce au programme de la CAI. Les Etats-Unis et d'autres pays avaient des difficultés économiques sérieuses, ce qui créait un plus grand protectionnisme. Plusieurs pays en voie de développement commencent à s'industrialiser rapidement. Notre propre effort de recherche et de développement, particulièrement dans l'industrie, avait été trop faible. Et il y avait les incertitudes politiques que nous avons depuis quelque temps.





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FAIT PAR  
L'HONORABLE JACK H. HORNER  
EN RÉPONSE À  
L'INDUSTRIE CANADIENNE  
LE 7 NOVEMBRE 1978  
OTTAWA



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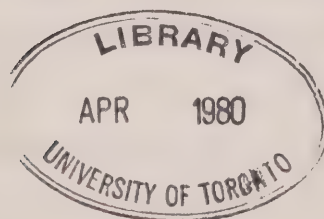
NOTES FOR A SPEECH BY THE HONOURABLE HERB GRAY

MINISTER OF INDUSTRY, TRADE & COMMERCE

TO

THE CANADIAN ADVANCED TECHNOLOGY ASSOCIATION

APRIL 9, 1980



CHECK AGAINST DELIVERY

DELIVERY TIME: 1:30 P.M.





LADIES AND GENTLEMEN, MESDAMES ET MESSIEURS:

I AM PLEASED THAT MY FIRST FORMAL SPEECH AS MINISTER OF INDUSTRY, TRADE AND COMMERCE SHOULD BE TO SPEAK TO THE CANADIAN ADVANCED TECHNOLOGY ASSOCIATION. ADVANCED TECHNOLOGY IS, AT THIS POINT IN OUR HISTORY, THE TURN-KEY TO INDUSTRIAL DEVELOPMENT AND GROWING NATIONAL PROSPERITY. CONSEQUENTLY, I AM DELIGHTED TO HAVE THIS OPPORTUNITY, AFTER BARELY A MONTH AS MINISTER, TO MEET AND TALK WITH MANY OF THE PEOPLE TO WHOM CANADA LOOKS FOR THE INNOVATIVE WORK THAT WILL UNDERPIN OUR ECONOMY'S VITALITY IN THE 1980'S.

MOST OF YOU WILL REMEMBER THAT IN A SPEECH IN TORONTO DURING THE LAST WEEK OF THE RECENT ELECTION CAMPAIGN, PRIME MINISTER TRUDEAU COMMITTED THE NEW LIBERAL GOVERNMENT TO IMPLEMENTING AN INDUSTRIAL STRATEGY TO MAKE OUR INDUSTRIES MORE COMPETITIVE ABROAD AND BETTER ABLE TO CREATE JOBS AT HOME. I VIEW MR. TRUDEAU'S SPEECH AS HAVING CREATED MY PRIORITIES AS MINISTER OF INDUSTRY TRADE AND COMMERCE. ONE OF THE MOST OBVIOUS OF THESE PRIORITIES IS TO FOCUS ON THE HIGH TECHNOLOGY INDUSTRIES AND ENSURE THEIR RAPID DEVELOPMENT IN AN INCREASINGLY SOPHISTICATED AND COMPETITIVE MARKET ENVIRONMENT.

I DO NOT HAVE TO CONVINCE THIS AUDIENCE OF THE PERVASIVE ROLE THAT ADVANCED TECHNOLOGY WILL HAVE IN DETERMINING THE KIND OF FUTURE CANADIANS WILL BE ABLE TO ENJOY IN THE 80s AND BEYOND . TAKE, FOR EXAMPLE, OUR ENERGY FUTURE. TO A VERY GREAT EXTENT IT WILL BE OUR

ABILITY TO INNOVATE AND PUT NEW TECHNOLOGIES TO WORK THAT WILL BOTH GUARANTEE ENERGY SECURITY AND ENABLE CANADA TO PROFIT FROM OUR VAST, BUT OFTEN DIFFICULT TO ACCESS, ENERGY RESOURCES. SIMILARLY, IN ANOTHER IMPORTANT SPHERE OF HIGH TECHNOLOGY - ELECTRONICS, THERE IS ENORMOUS POTENTIAL TO AFFECT AND IMPROVE CANADIANS' MATERIAL AND SOCIAL WELL-BEING.

OF COURSE, CANADA IS NOT ALONE IN BEING IN A POSITION TO REAP IMMEASURABLE BENEFITS FROM TECHNOLOGICAL ADVANCE. IN JAPAN, FRANCE, BRITAIN, WEST GERMANY, THE UNITED STATES, HIGH TECHNOLOGY IS ALSO RECOGNIZED AS A KEY ELEMENT IN CONTEMPORARY NATIONAL ECONOMIC GROWTH AND PROSPERITY. THAT THIS IS SO, SHOULD, I THINK, BE TAKEN AS AN ENCOURAGEMENT FOR EFFORTS TO SPUR INNOVATION AND TECHNOLOGICAL DEVELOPMENT IN OUR OWN COUNTRY. BUT IT SHOULD ALSO BE TAKEN AS A WARNING. FOR PARTICULARLY IN THE COMPETITIVE WORLD TRADING ENVIRONMENT THAT IS SHAPING UP IN THE WAKE OF THE LATEST GATT AGREEMENTS, IT IS ONLY AT GRAVE RISK TO THE FUTURE LIVING STANDARDS OF ALL CANADIANS THAT WE IGNORE THE EFFORTS AND ACCOMPLISHMENTS OF THE FOREIGN COMPETITION IN THE ADVANCED TECHNOLOGY FIELD.

WE ARE NOT WITHOUT OUR OWN ACHIEVEMENTS IN ADVANCED TECHNOLOGY. MOST NOTABLY IN TELECOMMUNICATIONS, BUT ALSO IN AREAS SUCH AS TAR SANDS OIL EXTRACTION AND REMOTE SENSING, CANADIAN RESEARCH AND

DEVELOPMENT HAVE MOVED US TO THE FOREFRONT IN THE EXPLOITATION OF NEW TECHNOLOGIES. L'INDUSTRIE AÉROSPATIALE EST AUSSI UN DOMAINE DANS LEQUEL LA TECHNOLOGIE AVANCÉE CANADIENNE A DÉJÀ FAIT SES PREUVES. QUE L'ON SONGE PAR EXEMPLE À LA PARTICIPATION CANADIENNE À LA CONSTRUCTION DE CERTAINES PIÈCES DES ÉQUIPEMENTS SPATIAUX AMÉRICAINS; OU ENCORE À LA CONSTRUCTION D'AÉRONEFS PAR DES COMPAGNIES CANADIENNES SOUTENUES PAR DES INITIATIVES FÉDÉRALES. WE HAVE NO REASON TO DOUBT THAT THESE AND OTHER HIGH TECHNOLOGY INDUSTRIES WILL CONTINUE TO GROW.

THAT SAID, HOWEVER, I WOULD BE REMISS WERE I NOT TO ADD THAT A GOOD PERFORMANCE MAY NOT BE GOOD ENOUGH IF OUR HIGH TECHNOLOGY INDUSTRIES ARE TO SEIZE THE OPPORTUNITIES AVAILABLE. FOR INSTANCE, ALTHOUGH THE CANADIAN ELECTRONICS INDUSTRY CONSISTENTLY OUTPACED OTHER INDUSTRY SECTORS DURING THE PAST DECADE, IT BY NO MEANS GREW AT THE RATE OF THE ELECTRONICS INDUSTRIES OF OUR TRADING PARTNERS. IN OTHER WORDS, CANADA DID NOT GET OUR "SHARE" OF THE RAPIDLY EXPANDING ELECTRONICS BUSINESS. AND THIS SHOULD NOT REALLY BE TOO SURPRISING BECAUSE IN A MARKET WHERE THE PACE OF GROWTH IS ACCELERATING AND THE RATE OF TECHNOLOGICAL CHANGE IS BREATHTAKING, EVEN GOOD PERFORMERS CAN SOON BE OVERTAKEN AND OPPORTUNITIES QUICKLY FORECLOSED.



AT THIS POINT, I THINK IT IS WORTHWHILE TO RECALL THAT IN SPEAKING ABOUT THE FUNCTION OF GOVERNMENT IN INDUSTRIAL DEVELOPMENT, MR. TRUDEAU, IN HIS FEBRUARY 12 SPEECH, SAID, "WE NEED THE FEDERAL GOVERNMENT AS AN ACTIVE PLAYER, NOT A PASSIVE BYSTANDER. LIBERALS BELIEVE IN A CREATIVE ROLE FOR GOVERNMENT IN INDUSTRIAL POLICY."

NOW I AM SURE THAT I DON'T HAVE TO ASK ANYONE HERE WHETHER THERE IS ANY INDUSTRY WHICH, TO A GREATER DEGREE THAN THE ADVANCED TECHNOLOGY SECTOR, NEEDS A GOVERNMENT THAT IS PREPARED TO BE MORE THAN A PASSIVE BYSTANDER, WHICH NEEDS A POLICY THAT RELIES ON MORE THAN SIMPLY TALENT, NATIVE GENIUS AND MARKET FORCES. FOR YOU DO NOT NEED TO BE TOLD THAT THE TYPICAL CANADIAN ELECTRONICS FIRMS IS A FRACTION OF THE SIZE OF ITS MULTI-NATIONAL COMPETITORS, THAT THE DOMESTIC MARKET FOR HIGH TECHNOLOGY PRODUCTS IS SMALL AND A GENERALLY INADEQUATE SPRINGBOARD TO INTERNATIONAL MARKETS, OR THAT RESEARCH, DEVELOPMENT, DESIGN AND ENGINEERING ARE HIGHLY RISKY AND EXPENSIVE UNDERTAKINGS. YOU ARE WELL AWARE THAT VIRTUALLY EVERY DEVELOPED COUNTRY IN THE WORLD EXTENDS SUPPORT TO ITS OWN ELECTRONICS AND HIGH TECHNOLOGY INDUSTRIES IN THE FORM OF MEASURES SUCH AS DIRECT GOVERNMENT PROCUREMENT, RESEARCH AND DEVELOPMENT CONTRACTS AS WELL AS TARIFF AND QUOTA POLICIES. AND YOU KNOW THAT ALTHOUGH YOUR INDUSTRY IS OFF TO A GOOD START YOU WILL NEED SUBSTANTIAL ENCOURAGEMENT AND SUPPORT FROM GOVERNMENT IF YOU ARE TO CONTINUE TO GROW AND DELIVER ON YOUR POTENTIAL.

THESE WERE THE KINDS OF CONCERNS THAT WERE EXPRESSED TO THE PREVIOUS LIBERAL GOVERNMENT BY THE CONSULTATIVE TASK FORCE ON THE CANADIAN ELECTRONICS INDUSTRY - THE SECTOR TASK FORCE - WHICH REPORTED IN AUGUST OF 1978 - (IT IS LIKELY THAT SOME OF THE PEOPLE HERE ACTIVELY PARTICIPATED IN THE WORK OF THAT TASK FORCE). AND IT WAS IN RESPONSE TO THESE VERY LEGITIMATE CONCERNS THAT THE FEDERAL GOVERNMENT ANNOUNCED, IN APRIL 1979, A NATIONAL DEVELOPMENT POLICY FOR THE ELECTRONICS INDUSTRY. TODAY, I AM HAPPY TO SAY THAT THE NEW GOVERNMENT SEES THE NEED FOR A COMPREHENSIVE PROGRAM TO DEVELOP THE ELECTRONICS INDUSTRY AS BEING, IF ANYTHING, MORE PRESSING, MORE URGENT, THAN WAS THE CASE A YEAR AGO. WE REMAIN FIRMLY COMMITTED TO THE APRIL 1979 POLICY AND TO ITS EARLY AND FULL IMPLEMENTATION.

I SHOULD LIKE TO SPEND THE NEXT FEW MINUTES IN HIGHLIGHTING THE PRINCIPAL UNDERTAKINGS OF THE FEDERAL GOVERNMENT IN RELATION TO THE NATIONAL DEVELOPMENT POLICY. SINCE YOU SHOULD ALREADY BE FAMILIAR WITH THE BROAD OUTLINES OF THE POLICY, I SHALL BE BRIEF.

THUS, THE FEDERAL GOVERNMENT WILL MAKE AVAILABLE \$50 MILLION IN ASSISTANCE TO ELECTRONICS FIRMS OVER THE NEXT THREE YEARS. A MAJOR PORTION OF THIS ASSISTANCE WILL BE EXTENDED TO THE INDUSTRY UNDER THE AUSPICES OF MY DEPARTMENT'S ENTERPRISE DEVELOPMENT PROGRAMME. THESE FUNDS WILL SUPPORT EXCEPTIONAL OPPORTUNITIES WHICH MIGHT OTHERWISE

NOT BE EXPLOITED OR EXPLOITED RAPIDLY ENOUGH; THEY WILL BE MADE AVAILABLE TO HELP FIRMS UNDERTAKE LARGE SCALE INVESTMENT PROJECTS OR INDUSTRY CONSOLIDATION THAT WILL INCREASE ELECTRONICS RESEARCH AND DEVELOPMENT ACTIVITIES AND PRODUCTION.

LE PREMIER DES PROJETS EN RECHERCHE ÉLECTRONIQUE QUI VA REÇEVOIR UNE AIDE SPÉCIALE DU GOUVERNEMENT FÉDÉRAL EST CELUI DE MITEL CORPORATION OU PLUS PARTICULIÈREMENT SA FILIALE DE MICROÉLECTRONIQUE SITUÉE À BROMONT DANS LA RÉGION DE SHERBROOKE AU QUEBEC. IL S'AGIT D'UNE AIDE QUI PERMETTRA A LA COMPAGNIE DE CONSTRUIRE ET D'ÉQUIPER SES LABORATOIRES DE RECHERCHE ET DÉVELOPPEMENT ET D'AGRANDIR SES USINES. CETTE ACTIVITÉ GÉNÉRERA PRÈS DE 750 EMPLOIS. THE FEDERAL GOVERNMENT HAS PLEDGED TO CONTRIBUTE \$21 MILLION TO MITEL SEMICONDUCTOR INC. TO ASSIST THE COMPANY IN ATTAINING ITS GROWTH OBJECTIVES. ONE-THIRD OF THE FUNDING WILL BE USED TO SUPPORT RESEARCH, DEVELOPMENT AND ENGINEERING AND THE REMAINDER WILL PROMOTE EXPANSION OF THE FIRM'S SEMICONDUCTOR MANUFACTURING CAPACITY THROUGH THE PURCHASE OF CAPITAL EQUIPMENT. OF THE 750 NEW JOBS THAT WILL BE CREATED, 500 WILL BE IN BROMONT, QUEBEC AND THE REMAINDER IN KANATA, ONTARIO.

IN THE MITEL PROJECT, WE HAVE, I BELIEVE, A PRIME EXAMPLE OF THE YIELDS FROM GOVERNMENT INVOLVEMENT IN FUELLING THE GROWTH OF SUCCESSFUL HIGH TECHNOLOGY COMPANIES. THE POTENTIAL BENEFITS TO CANADA FROM THE PROJECT ARE TRULY IMPRESSIVE; THEY INCLUDE NEW JOBS, GREATER EXPORTS, THE MAINTENANCE BY MITEL OF A TECHNOLOGICAL LEAD IN ITS TELECOMMUNICATION PRODUCTS, AND, PERHAPS MOST IMPORTANTLY, AN



ASSURANCE THAT A DEMONSTRABLY VITAL SEGMENT OF AN INDUSTRY OF THE FUTURE CAN CONTINUE TO GROW AND PROSPER IN CANADA. WITH PROSPECTS FOR BENEFITS SUCH AS THESE, WE HAVE EVERY REASON TO BE CONFIDENT ABOUT NOT ONLY THE MITEL PROJECT ITSELF, BUT ALSO OUR GENERAL VIEW THAT IN ELECTRONICS AS IN OTHER KEY INDUSTRIES, GOVERNMENT ASSISTANCE AND COOPERATION BASED ON A HIGH DEGREE OF COOPERATION AND CONSULTATION CAN ONLY BE BENEFICIAL.

I SHOULD ALSO LIKE TO MENTION THE SECOND MAJOR FEATURE OF THE NATIONAL DEVELOPMENT POLICY, WHICH WILL FOCUS ON THE DEMAND SIDE OF THE INDUSTRY'S DEVELOPMENT. SPECIFICALLY, IT IS PLANNED THAT A PROGRAM TO ENCOURAGE THE APPLICATION OF MICROELECTRONIC DEVICES TO NEW AND EXISTING PRODUCTS WILL INCLUDE THESE ELEMENTS:

- AN AWARENESS PROGRAM FOR SENIOR EXECUTIVES OF INDUSTRY;
- AN INCENTIVE PROGRAM TO ENCOURAGE THE APPLICATION OF MICROELECTRONIC DEVICES TO PRODUCTS AND PROCESSES IN ALL INDUSTRY SECTORS;
- THE ESTABLISHMENT OF CENTRES OF ADVANCED TECHNOLOGY TO DEVELOP OUTSTANDING TECHNICAL COMPETENCE IN MICROELECTRONICS.

OUR HOPE IS THAT THROUGH MEASURES SUCH AS THESE THE PRIVATE SECTOR MARKET FOR THE PRODUCTS OF THE MICROELECTRONICS INDUSTRY CAN

BE GREATLY EXPANDED. MOREOVER, CONSISTENT WITH MR. TRUDEAU'S FEBRUARY 12 COMMITMENT TO USE GOVERNMENT PROCUREMENT POLICY AS A POSITIVE TOOL IN CANADA'S INDUSTRIAL DEVELOPMENT STRATEGY, THE RECENTLY IMPLEMENTED PROCUREMENT REVIEW MECHANISM WILL TAKE ADVANTAGE OF THE FEDERAL GOVERNMENT'S ROLE AS A LARGE PURCHASER OF THE GOODS AND SERVICES OF THE ELECTRONICS INDUSTRY TO PROMOTE RAPID GROWTH OF THE INDUSTRY AND, INsofar AS IS POSSIBLE, THE BALANCING OF REGIONAL BENEFITS FROM THAT GROWTH.

THAT, LADIES AND GENTLEMEN, IS THE OUTLINE OF OUR PLANS AS THEY ARE TODAY TO HELP THE CANADIAN ELECTRONICS INDUSTRY TO EXPLOIT THE OPPORTUNITIES THAT ARE INCREASINGLY EVIDENT IN THE WORLD OF THE 1980s. HOWEVER, IT IS CERTAINLY NOT MY FINAL WORD ON THE SUBJECT. I KNOW, FOR EXAMPLE, OF CONCERNS THAT ARE WIDELY HELD IN THE ADVANCED TECHNOLOGY SECTOR AND TO WHICH THE GOVERNMENT RESPONSE TO DATE HAS NOT BEEN CONSIDERED ADEQUATE BY YOUR ORGANIZATIONS. THESE CONCERNS INCLUDE, PROBABLY MOST PROMINENTLY, THE TAX INCENTIVE SYSTEM FOR RESEARCH AND DEVELOPMENT AND THE ADMINISTRATION OF THE ENTERPRISE DEVELOPMENT PROGRAM. I AM PERSONALLY COMMITTED TO WORKING TO HAVE REMEDIED ANY REAL PROBLEMS OR INADEQUACIES IN FEDERAL PROGRAMS FOR YOUR INDUSTRIES. AS YOU KNOW, ONE OF MY OFFICIALS WILL BE SPEAKING TO YOU THIS AFTERNOON ABOUT THE WORK THAT MY DEPARTMENT HAS BEEN DOING IN

RESPONSE TO CRITICISM OF SLOWNESS IN THE PROCESSING OF ENTERPRISE DEVELOPMENT APPLICATIONS. I AM ALSO REVIEWING THE VARIOUS RECOMMENDATIONS THAT HAVE BEEN MADE BY YOUR ASSOCIATION AND OTHERS TO IMPROVE THE TAX SYSTEM'S TREATMENT OF EXPENDITURES ON R&D.

IN A SIMILAR VEIN, THE FUNDS THAT HAVE BEEN ALLOCATED ALREADY TO THE ADVANCED TECHNOLOGY INDUSTRIES MAY NOT GO FAR ENOUGH TOWARDS OPTIMIZING THE PERFORMANCE OF THIS SECTOR, WHICH IS SO CRITICAL TO CANADA'S FUTURE. IF AND WHEN THAT HAPPENS AND PARTICULARLY IF THESE ARE INSTANCES WHERE FUNDING IS THE ONLY OBSTACLE TO THE CAPTURE OF IMPORTANT NEW OPPORTUNITIES, I SHALL BE READY TO RAISE WITH MY CABINET COLLEAGUES THE CASE FOR INCREASED LEVELS OF FINANCIAL SUPPORT FOR HIGH TECHNOLOGY PROJECTS. AND I WILL DO SO BEARING IN MIND THE INDUSTRIAL DEVELOPMENT COMMITMENTS THAT WERE ENUNCIATED BY MR. TRUDEAU DURING THE CAMPAIGN.

I WANT TO CONCLUDE THESE REMARKS WITH A FEW COMMENTS ON THE ISSUE OF FOREIGN OWNERSHIP IN RELATION TO THE FUTURE OF ADVANCED TECHNOLOGY IN CANADA. OF COURSE, MY CONCERNS ABOUT THE IMPLICATIONS THAT THE PRESENT LEVEL OF FOREIGN CONTROL OF THE ECONOMY CAN HAVE FOR ITS EFFICIENT DEVELOPMENT ARE WELL KNOWN. AS WELL, THE ISSUE IS PARTICULARLY PERTINENT IN THIS CONTEXT NOT ONLY BECAUSE ADVANCED



TECHNOLOGY IS ONE OF THE KEY AREAS WHERE NON-RESIDENT CONTROL IS VERY PROMINENT -- NOTWITHSTANDING THE EXISTENCE OF MANY VIBRANT CANADIAN CONTROLLED COMPANIES SUCH AS THOSE WHICH FORM THE MEMBERSHIP OF CATA -- BUT ALSO BECAUSE IT IS A SECTOR WHERE CORPORATE BEHAVIOUR OF THE TYPE TYPICALLY ASSOCIATED WITH THE "BRANCH PLANT MENTALITY" COULD BE EXTREMELY HARMFUL FOR CANADA.

As Mr. TRUDEAU SAID IN HIS FEBRUARY 12 SPEECH, THE NEW GOVERNMENT WANTS TO EXPAND THE OPPORTUNITIES FOR INDEPENDENT CANADIAN-OWNED ENTERPRISE, ESPECIALLY IN HIGH-GROWTH AREAS LIKE ADVANCED TECHNOLOGY. BUT OF COURSE THIS DOES NOT MEAN THAT IT WILL BE THE INTENT OF OUR GENERAL POLICY INITIATIVES IN REGARD TO FOREIGN CONTROL TO BAN NEW INVESTMENT IN CANADA BY NON-RESIDENTS NOR WILL IT BE TO MAKE LIFE DIFFICULT FOR THE MANY FOREIGN-CONTROLLED FIRMS THAT ARE PRESENTLY ACTING AS GOOD CORPORATE CITIZENS. HOWEVER, IT IS OUR BELIEF THAT IF THEY ARE DOING BUSINESS IN CANADA, THEN FOREIGN FIRMS SHOULD OPERATE IN WAYS THAT DO NOT SACRIFICE CANADIAN INDUSTRIAL DEVELOPMENT GOALS FOR OUTSIDE INTERESTS. THIS MEANS FOREIGN-CONTROLLED FIRMS SHOULD BEHAVE AS I AM CERTAIN THE MEMBERS OF CATA DO, THAT IS, IN A MANNER THAT IS CONSISTENT WITH THESE GOALS AND WHAT THEY MEAN TO CANADA'S FUTURE.

AT THE COMMENCEMENT OF THESE REMARKS I SUGGESTED THAT A GREAT DEAL OF OUR HOPES FOR MORE COMPETITIVE CANADIAN

INDUSTRIES, FOR MORE AND BETTER JOBS, FOR ECONOMIC GROWTH AND HIGHER LIVING STANDARDS ARE RIDING ON THE PEOPLE AND THE PRODUCTS OF OUR HIGH TECHNOLOGY SECTOR. PARCE QUE NOUS SOMMES CONSCIENTS DE L'IMPORTANCE DE CE SECTEUR, NOUS VOULONS QUE LE CANADA AIT UNE TECHNOLOGIE SAINES ET DYNAMIQUE. POUR CELA NOUS SOMMES PRETS A TRAVAILLER DE CONCERT AVEC L'INDUSTRIE CANADIENNE. TOGETHER, WE CAN COMMIT OURSELVES TO DEVELOPING THE HIGH TECHNOLOGY SECTOR OF OUR ECONOMY, TO PROMOTING RESEARCH AND INNOVATION IN CANADA AND TO EXPANDING OUR CAPACITY TO SELL COMPETITIVE, CANADIAN-MADE PRODUCTS IN INTERNATIONAL MARKETS AND IN CANADA AS WELL. I LOOK FORWARD TO WORKING WITH YOU IN THE ACHIEVEMENT OF THESE OBJECTIVES.

NATIONAL DEVELOPMENT POLICY  
FOR THE ELECTRONICS INDUSTRY

The Special Electronics Fund has been established by adding \$50 million to the budget of the Enterprise Development Program over a period of three years. This fund has two components:

1) Major Projects

Will help electronics firms carry out large-scale projects to increase production and R&D. These projects, that would not otherwise be undertaken in Canada, will provide significant economic benefit to the country.

2) Microelectronics

Will promote the use of microelectronics by industry. This portion of the fund will be used to

- (a) increase the awareness of industry executives to the opportunities for incorporating microelectronics in their products and processes
- (b) offer incentives to encourage the application of microelectronics,
- (c) and create centres of advanced technology in different regions of the country.

Most of our international competitors in the electronics business have identified this sector as being worthy of subsidies, trade protection, and procurement preferences. The countries most active in the support of their national electronics industries are Japan, USA, Britain, France and Germany.



**STATEMENT BY THE  
HONOURABLE HERB GRAY  
MINISTER OF INDUSTRY, TRADE AND COMMERCE**

**GOVERNMENT OF CANADA'S ASSISTANCE  
TO CHRYSLER CANADA LIMITED**

**OTTAWA, MAY 10, 1980**



I WISH TO ANNOUNCE THE AGREEMENT REACHED BETWEEN THE FEDERAL GOVERNMENT, CHRYSLER CANADA AND THE CHRYSLER CORPORATION FOLLOWING EXTENSIVE NEGOTIATIONS.

CHRYSLER CANADA HAS PRESENTED TO THE FEDERAL GOVERNMENT THEIR CORPORATE FINANCING AND INVESTMENT PLAN FOR THE YEARS 1980-85. THEIR PLAN CALLS FOR AN INVESTMENT OF APPROXIMATELY \$1 BILLION TO CONVERT AND EXPAND CERTAIN OF ITS EXISTING CANADIAN FACILITIES. THIS INVESTMENT WILL ENABLE EMPLOYMENT IN CANADA TO RETURN TO HISTORIC LEVELS. THE AVERAGE ANNUAL EMPLOYMENT LEVELS INCLUDED IN THIS PLAN ARE 9,800 IN 1981; 10,100 IN 1982; 11,300 IN 1983; AND 15,900 IN EACH OF 1984, 1985 AND 1986.

THE GOVERNMENT RECOGNIZES THE DIFFICULTY OF PROJECTING WITH ABSOLUTE PRECISION EMPLOYMENT LEVELS THAT ARE IN LARGE PART DEPENDENT ON ECONOMIC AND MARKET CONDITIONS, PARTICULARLY IN THE AUTOMOTIVE INDUSTRY. AS A RESULT, ONE CONDITION INSISTED ON BY THE FEDERAL GOVERNMENT IS THAT CANADIAN EMPLOYMENT WILL BE MAINTAINED AT NO LESS THAN THE HISTORICAL AVERAGE OF 11%, EXPRESSED AS A RATIO TO U.S. EMPLOYMENT, FOR THE YEARS 1982 THROUGH 86. DURING 1980 AND 1981, RECOGNIZING THAT CHRYSLER IS NOW IN A RESTRUCTURING PROCESS, THE FIGURE SHALL BE MAINTAINED AT NO LESS THAN AN AVERAGE OF 9%.



the first of these is the fact that the system is not in equilibrium with the environment. The second is that the system is not in equilibrium with itself.

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DEVIATION FROM THE INVESTMENT, FINANCING, FACILITIES OR PRODUCTS OUTLINED IN THE PLAN OR FROM THE PROPORTIONAL EMPLOYMENT COMMITMENTS, WILL OCCUR ONLY WITH THE CONSENT OF THE MINISTER.

IN RETURN FOR THESE INVESTMENT AND EMPLOYMENT GUARANTEES, THE GOVERNMENT OF CANADA WILL GUARANTEE LOANS BY FINANCIAL INSTITUTIONS IN SUPPORT OF CHRYSLER CANADA'S INVESTMENT OF ABOUT \$1 BILLION IN ITS OPERATIONS TO AN AMOUNT OF \$200 MILLION. THESE LOAN GUARANTEES WILL NOT BEGIN TO COME INTO EFFECT UNTIL 1982.

THE GOVERNMENT'S OFFER TO CHRYSLER CANADA IS ALSO CONDITIONAL ON THE SUCCESSFUL ACHIEVEMENT OF THE OVERALL FINANCIAL PACKAGE NOW BEING SOUGHT IN THE UNITED STATES BY THE PARENT COMPANY, CHRYSLER CORPORATION.

BEFORE ELABORATING ON ADDITIONAL CONDITIONS AND SAFEGUARDS THAT THE FEDERAL GOVERNMENT HAS ATTACHED TO ITS ASSISTANCE, I WISH TO OUTLINE THE BACKGROUND AND CONSIDERATIONS THAT WERE TAKEN INTO ACCOUNT.

CHRYSLER CANADA'S DIFFICULTIES ARISE PRIMARILY FROM THE PLIGHT OF ITS PARENT, WHICH HAS BEEN WELL PUBLICIZED. CHRYSLER CORPORATION, UNTIL RECENTLY THE 10TH LARGEST COMPANY IN THE U.S., HAS SUFFERED PROPORTIONATELY MORE THAN ANY OTHER AUTO





COMPANY AS A RESULT OF THE DRAMATIC SWITCH OF CONSUMER PREFERENCE TO SMALLER CARS.

IN 1979, CHRYSLER CORPORATION APPROACHED THE U.S. GOVERNMENT FOR HELP TO MEET THE VERY LARGE PROGRAM OF INVESTMENT NECESSARY TO CONVERT ITS PLANTS TO SMALLER CAR PRODUCTION AND TO MEET ENGINEERING AND DESIGN COSTS OF THESE NEW PRODUCTS. THESE COSTS WILL AMOUNT TO ABOUT \$9 BILLION IN THE PERIOD 1980-85.

THE U.S. GOVERNMENT'S RESPONSE WAS TO PASS THE CHRYSLER LOAN GUARANTEE ACT, WHICH WILL MAKE AVAILABLE TO CHRYSLER CORPORATION UP TO \$1.5 BILLION IN U.S. LOAN GUARANTEES PROVIDED COMPARABLE AMOUNTS OF CREDIT CAN BE RAISED BY OTHERS WITH A STAKE IN THE FUTURE OF THE CORPORATION. THESE OTHERS INCLUDE BANKS, SUPPLIERS, DEALERS AND STATE, LOCAL AND OTHER GOVERNMENTS.

CHRYSLER CANADA APPROACHED THE CANADIAN GOVERNMENT LAST YEAR FOR ASSISTANCE. ALTHOUGH NOT IN AS SERIOUS A FINANCIAL SITUATION AS ITS PARENT, CHRYSLER CANADA SELLS ABOUT 80 PER CENT OF WHAT IT PRODUCES IN THE U.S. MARKET. IT IS THUS UNABLE TO FINANCE BY ITSELF THE NECESSARY INVESTMENT TO MODERNIZE ITS FACILITIES TO TAKE PART IN BUILDING THE NEXT GENERATION OF VEHICLES NEEDED TO RE-ESTABLISH ITSELF IN THE MARKET.



IN WEIGHING THE CHRYSLER REQUEST, THE GOVERNMENT HAD A NUMBER OF CONSIDERATIONS IN MIND. FIRST, A REFUSAL BY THE GOVERNMENT TO ASSIST CHRYSLER CANADA WOULD HAVE HAD AN ADVERSE EFFECT ON THE ABILITY OF THE U.S. PARENT TO ACHIEVE THE OVERALL FINANCIAL PACKAGE IT REQUIRES. CHRYSLER CANADA IS INTEGRATED SO CLOSELY TO ITS PARENT'S ACTIVITIES THAT DEMISE OF THE PARENT WOULD INEVITABLY LEAD TO TERMINATION OF CHRYSLER ACTIVITIES IN CANADA.

CHRYSLER CANADA IS OUR COUNTRY'S SEVENTH LARGEST COMPANY. THE IMPACT OF ITS FAILURE ON CHRYSLER DEALERS, SUPPLIERS, AND THEIR EMPLOYEES, AS WELL AS ON THE ENTIRE ECONOMY, WOULD BE SUCH THAT THE GOVERNMENT CANNOT IGNORE THE IMPLICATIONS FOR THE COUNTRY. ESTIMATES OF DIRECT JOBS AT RISK IF CHRYSLER WERE TO FAIL RUN AS HIGH AS 40,000 ACROSS CANADA. THESE INCLUDE 14,000 JOBS IN WINDSOR, AJAX AND MISSISSAUGA PRIOR TO RECENT LAYOFFS; CLOSE TO 10,000 PARTS SUPPLIER JOBS NATIONALLY; AND SOME 16,000 JOBS IN MORE THAN 600 DEALERSHIPS ACROSS THE COUNTRY. FOR EXAMPLE, MORE THAN 4,000 PEOPLE ARE EMPLOYED BY THE 160 CHRYSLER DEALERS IN QUEBEC. THERE ARE 1,700 SUCH JOBS AT STAKE IN ALBERTA, 600 IN NOVA SCOTIA, AND SOME 1,200 IN BRITISH COLUMBIA. THE COSTS OF THESE DIRECT JOB LOSSES IN TERMS OF TAXES FOREGONE AND UNEMPLOYMENT INSURANCE PAYMENTS ALONE WOULD BE CONSIDERABLE.

THESE ARE THE DIRECT JOBS AT STAKE. ALSO, IF A COMPANY HAVING 40,000 EMPLOYEES DIRECTLY DEPENDING ON IT SHOULD FAIL,





THE IMPACT ON INDIRECT JOBS AND THE ECONOMY GENERALLY WOULD BE EQUALLY SUBSTANTIAL.

ARRIVING AT THE \$200 MILLION LEVEL OF GUARANTEES FOR THIRD PARTY LOANS IS THE RESULT OF AN EXTENSIVE PERIOD OF NEGOTIATING WITH CHRYSLER CANADA AND THE PARENT CORPORATION. THEIR ORIGINAL REQUEST WAS MUCH HIGHER.

IN ADDRESSING THE QUESTION OF HOW MUCH ASSISTANCE IS APPROPRIATE, THE GOVERNMENT HAD SPECIFIC OBJECTIVES IN MIND. WE WANTED OUR CONTRIBUTION TO ENSURE THAT CHRYSLER WOULD MAKE INVESTMENTS IN CANADA SO THAT A NEW PRODUCT LINE COMPETITIVE IN THE MARKET OF THE 80S AND BEYOND IN TERMS OF SIZE AND FUEL EFFICIENCY, WOULD BE BUILT. WE WISHED TO RESTORE EMPLOYMENT OVER TIME TO A LEVEL COMPARABLE TO THAT BEFORE THE RECENT LAYOFFS. WE FELT THAT THE GOVERNMENT ASSISTANCE SHOULD NOT BE OUT OF PROPORTION WITH THAT BEING OFFERED BY THE U.S. GOVERNMENT. ALSO WE WANTED CHRYSLER'S COMMITMENTS TO COVER ITS ENTIRE OPERATIONS IN CANADA.

OUR OBJECTIVES HAVE BEEN MET.

IN CONSIDERING THE FORM OF OUR ASSISTANCE, THE GOVERNMENT DID NOT FEEL THAT THE SOLUTION WOULD REST IN TAKING AN EQUITY POSITION IN CHRYSLER CANADA. IT IS NOT A STAND-ALONE COMPANY AND IS DEPENDENT ON ITS PARENT AND THE U.S. DEALER NETWORK FOR



ITS SURVIVAL. EQUITY PARTICIPATION ALSO IMPLIES OTHER OBLIGATIONS WHICH, AS A GOVERNMENT, WE DO NOT CONSIDER APPROPRIATE TO TAKE ON.

THE GOVERNMENT OF CANADA WILL, HOWEVER, RECEIVE WARRANTS TO ACQUIRE SHARES OF CHRYSLER CORPORATION COMMON STOCK IN THE SAME PROPORTION TO THOSE RECEIVED BY THE U.S. GOVERNMENT ON THE SAME TERMS AND CONDITIONS. IN THIS WAY, CANADA WILL HAVE THE OPPORTUNITY OF SHARING IN THE FUTURE SUCCESS OF THE CORPORATION WHOSE CANADIAN SUBSIDIARY IT IS ASSISTING.

THE FEDERAL GOVERNMENT DECIDED AGAINST MAKING A GRANT. OUR ASSISTANCE WILL, THEREFORE, ONLY BE IN THE FORM OF LOAN GUARANTEES.

THE MONEY WILL COME IN THE FORM OF LOANS TO CHRYSLER CANADA FROM THE PRIVATE SECTOR AND NOT THE GOVERNMENT BUT THE GOVERNMENT WILL INSURE THOSE LOANS TO MAKE THEM POSSIBLE. OBVIOUSLY SOME RISK IS INVOLVED OR GUARANTEES WOULD NOT BE REQUIRED. HOWEVER, THE GOVERNMENT HAS MINIMIZED ITS RISK IN THE FOLLOWING WAYS.

FIRST, THE GUARANTEES WILL NOT BE DRAWN DOWN UNTIL JANUARY 1, 1982, AT THE EARLIEST AND THUS THE GOVERNMENT IS NOT AT RISK DURING THE EARLY STAGES OF CHRYSLER'S RECOVERY;





SECOND, THE GUARANTEES ARE TIED TO INVESTMENT IN CANADA ONLY; THIRD, CONDITIONS INVOLVING THE COMPANY'S ENTIRE OPERATIONS IN CANADA, INCLUDING APPROPRIATE SECURITY, HAVE BEEN OBTAINED.

REPAYMENT OF THE INSURED LOAN BY CHRYSLER WILL BE OVER A 5-YEAR PERIOD IN EQUAL QUARTERLY INSTALMENTS COMMENCING 6 MONTHS AFTER THE LAUNCH OF THE VAN/WAGON, BUT NOT EARLIER THAN JUNE 30TH 1984.

A SPECIFIC PROJECT TO WHICH THE LOAN GUARANTEES WILL BE TIED, IS THE PRODUCTION IN CANADA OF AN ALL NEW SMALL FUEL EFFICIENT VEHICLE. THE VEHICLE IS THE T 115 VAN/WAGON AIMED AT THE MARKET NOW SUPPLIED BY LARGE PASSENGER CARS, STATION WAGONS AND LIGHTER COMPACT VANS. CHRYSLER CORPORATION HAS GRANTED CHRYSLER CANADA, UNTIL THE INSURED LOAN IS REPAID IN FULL, AN EXCLUSIVE WORLD-WIDE MANDATE TO PRODUCE THIS VEHICLE. THE AGREEMENT PROVIDES THAT WHERE PRACTICABLE, RESEARCH AND DEVELOPMENT ACTIVITIES INCLUDING ENGINEERING SUPPORT FOR THE PRODUCTION OF THE T 115 WILL BE CONDUCTED IN CANADA.

UPGRADING AND EXPANDING THE EXISTING VAN FACILITY IN WINDSOR WILL REQUIRE SOME \$400 MILLION OF THE TOTAL \$1 BILLION INVESTMENT. THE GOVERNMENT OF CANADA'S \$200 MILLION OF LOAN GUARANTEES IN 1982, IS TO MAKE THIS INVESTMENT POSSIBLE. BUT OUR LOAN GUARANTEES ARE CONDITIONAL ON CHRYSLER PROCEEDING WITH THE FULL \$1 BILLION INVESTMENT PROGRAM.



IN ADDITION TO THE INVESTMENT FOR THE VAN/WAGON CHRYSLER CANADA WILL SPEND ABOUT \$250 MILLION TO IMPROVE THEIR EXISTING FACILITIES FOR CAR PRODUCTION AND TO BUILD ONE OF THE NEW LINES OF FRONT WHEEL DRIVE SMALL CARS TO BE INTRODUCED IN 1983.

ALSO, MORE THAN \$300 MILLION WILL BE INVESTED TO EXPAND AND IMPROVE SEVERAL EXISTING ASSEMBLY AND MANUFACTURING OPERATIONS INCLUDING THE ETOBICOKE ALUMINIUM CASTING PLANT.

THE GOVERNMENT, AS A CONDITION OF ASSISTANCE, HAS REQUIRED THAT CHRYSLER CORPORATION RESTRUCTURE ITS OPERATIONS SO THAT CHRYSLER CANADA OPERATIONS ARE IN LARGE MEASURE AUTONOMOUS WITH RESPECT TO PURCHASING, MARKETING AND PRODUCTION, WHILE REMAINING COST EFFECTIVE WITH ITS COMPETITORS.

THIS WILL HELP CARRY OUT ANOTHER CONDITION AGREED TO. THAT IS THAT CHRYSLER CANADA WILL MAKE EVERY REASONABLE EFFORT TO SOURCE MATERIALS AND COMPONENTS IN CANADA. OF COURSE, CANADIAN SUPPLIERS WILL HAVE TO MEET NORMAL COMPETITIVE REQUIREMENTS.

WE HAVE ALSO REQUIRED IN THE AGREEMENT, THAT CHRYSLER CORPORATION TRANSFER PRICING PRACTICES WILL NOT WORK TO THE DETRIMENT OF CHRYSLER CANADA.





THE MINISTER HAS THE RIGHT TO APPOINT A DIRECTOR TO THE BOARD OF DIRECTORS OF CHRYSLER CANADA LTD. IN ADDITION, THE GOVERNMENT OF CANADA WILL BE SUPPLIED WITH THE SAME REPORTS THAT CHRYSLER CORPORATION PROVIDES TO THE U.S. CHRYSLER CORPORATION LOAN GUARANTEE BOARD.

THE DETAILS OF THESE AND CERTAIN OTHER FINANCIAL CONDITIONS WILL BE SET OUT IN FORMAL DOCUMENTS. I PROPOSE TO TABLE THESE DOCUMENTS FOLLOWING THEIR SIGNING AND I WILL BE TABLING THE CHRYSLER CANADA FINANCIAL AND OPERATING PLAN AT THAT TIME.

DURING THE NEGOTIATIONS THE VIEWS OF THE CANADIAN DIRECTOR OF THE UNITED AUTOMOBILE WORKERS HAVE BEEN OBTAINED ON CERTAIN MATTERS RELATING TO THE AGREEMENT.

FINALLY, I WOULD LIKE TO EMPHASIZE THREE IMPORTANT ASPECTS OF THIS AGREEMENT.

WE HAVE, AS A GOVERNMENT, FOR THE FIRST TIME, AS FAR AS I AM AWARE, INSISTED ON A CONDITION THAT NONE OF THE FACILITIES OF CHRYSLER CANADA CAN BE CLOSED PERMANENTLY WITHOUT OBTAINING THE APPROVAL OF THE MINISTER.

WE HAVE ALSO INSISTED, AGAIN AS I UNDERSTAND IT FOR THE FIRST TIME, UPON A CONDITION THAT EMPLOYMENT LEVELS IN CANADA WILL BE MAINTAINED AT LEVELS PROPORTIONAL TO THOSE IN THE UNITED STATES.



THIRDLY, CHRYSLER CORPORATION HAS AGREED TO REVIEW WITH THE MINISTER, ONCE THE VAN/WAGON PLANT IS IN OPERATION, THE CONCEPT OF MOVING THE RELATIONSHIP BETWEEN EMPLOYMENT IN CANADA AND THE UNITED STATES CLOSER TO THE RELATIONSHIP BETWEEN SALES IN CANADA AND THE U.S..

IN ADDITION, THE ONTARIO GOVERNMENT HAS OBTAINED THE AGREEMENT OF CHRYSLER CANADA TO ESTABLISH A RESEARCH AND DEVELOPMENT FACILITY RELATED TO ALUMINUM AND PLASTIC APPLICATIONS. THIS FACILITY WILL REPRESENT AN INVESTMENT OF \$20 MILLION, OF WHICH, ONTARIO WILL PROVIDE \$10 MILLION IN THE FORM OF A GRANT.

EN RÉSUMÉ, LA DÉCISION DU GOUVERNEMENT FÉDÉRAL D'OCTROYER À CHRYSLER LA GARANTIE D'EMPRUNT DE \$200 MILLIONS, EN RETOUR D'INVESTISSEMENTS D'ENVIRON \$1 MILLIARD D'ICI 1985, AIDERA À MAINTENIR 40,000 EMPLOIS RÉPARTIS PARTOUT AU PAYS. PAR EXEMPLE, CHRYSLER EMPLOIE AU MOINS 4,000 PERSONNES AU QUÉBEC DANS SON RÉSEAU DE CONCESSIONNNAIRES SANS COMPTER LES EMPLOYÉS DE SES FOURNISSEURS QUÉBÉCOIS DE PIÈCES DÉTACHÉES. CETTE DÉCISION S'INSCRIT DANS LE CADRE D'UNE POLITIQUE INDUSTRIELLE NATIONALE, QUI S'EST MANIFESTÉE TOUT RÉCEMMENT DANS LES SECTEURS DE L'ÉLECTRONIQUE ET DE L'AÉRONAUTIQUE, ET DONT UN DES GRANDS OBJECTIFS EST D'ASSURER LE DÉVELOPPEMENT ÉQUILIBRÉ DE TOUTES LES RÉGIONS DU CANADA.





BIEN QU'IL SUBSISTE UN ÉLÉMENT DE RISQUE JE CROIS QUE, DANS L'ENSEMBLE, L'ABOUTISSEMENT DE NOS NÉGOCIATIONS AVEC CHRYSLER EST UN ARRANGEMENT ÉQUITABLE POUR LES TRAVAILLEURS CANADIENS ET L'ÉCONOMIE DU PAYS.

I WANT TO REPEAT THAT WHILE AN ELEMENT OF RISK CONTINUES TO EXIST, AND WHILE THERE ARE SERIOUS PROBLEMS OF ADJUSTMENT IN THE ENTIRE NORTH AMERICAN AUTOMOTIVE INDUSTRY, I BELIEVE THAT OUR NEGOTIATIONS HAVE RESULTED IN A FAIR DEAL AND THEREFORE A GOOD DEAL FOR CANADA'S ECONOMY AND CANADIAN WORKERS.



## GENERAL INDUSTRY OVERVIEW

While the automotive industry currently faces serious adjustment problems, numerous major opportunities also exist.

- The industry directly employs over 100,000 Canadians and indirectly affects several hundred thousand others in service and supplier industries. While it is concentrated in Ontario, there are a growing number of companies manufacturing cars, trucks, buses and auto parts in Western Canada, in Quebec and in the Maritimes.
- The current downturn in vehicle demand in the U.S. is impacting seriously not only on the vehicle producers but on automotive parts manufacturers as well.
- The industry is undergoing tremendous change and will continue to do so throughout the 80s. The trend to smaller, more fuel efficient cars will affect not only the size and nature of the parts going into an automobile, but will also influence the materials that will be used in producing these parts. Investments in North America of \$80 billion are forecast to 1985. While a large portion of this has already been committed, another \$75 billion is estimated as required between 1986 and 1991.
- Increasingly aluminum, light weight steels and plastics will be used. This will provide opportunities for Canadian auto parts manufacturers to develop and produce components for the new generation of vehicles.
- Export opportunities are growing with the trend towards rationalization of parts sourcing on a worldwide basis and the lowering of barriers to trade. Industry will to a degree depend on increased exports and a diversification of export markets. Companies that have looked at other markets to a large extent are not currently facing cutbacks in production because of declining demand in North America.





REQUIREMENTS OF TOTAL FINANCIAL  
PACKAGE FOR CHRYSLER CORPORATION

The Chrysler Corporation Loan Guarantee Board, established by the United States Chrysler Corporation Loan Act of 1979, may issue loan guarantees up to a total of U.S. \$1,500 million if, in the opinion of that Board, certain prior conditions have been met:

1. A total of U.S. \$1,430 million now federally guaranteed assistance from interested parties including:
  - U.S. and foreign banks
  - state, local and other governments
  - suppliers and dealers
  - Chrysler Corporation itself, through asset disposition
2. Wage and salary concessions of U.S. \$462 million by unionized labour and U.S. \$125 million from other employees.
3. The production of a plan for the future operations of Chrysler Corporation by the Corporation that is both realistic and attainable.

In view of the generally recognized dependence of Chrysler Canada Limited on Chrysler Corporation the future viability of the Canadian subsidiary is contingent on the issuance of loan guarantees essential to the continued existence of the U.S. parent.

Government of Canada Loan Guarantees are contingent upon Chrysler Corporation obtaining loan guarantees from the Chrysler Corporation Loan Gurantee Board.

8/5/80



Direct Jobs: Company and Dealerships

<u>Province</u>	<u>Dealerships - as of</u> <u>March 1980</u>		<u>Company - as of</u> <u>July 1979</u>
	<u>Employees</u>	<u>No.</u>	
British Columbia	1,200	(50)	60
Alberta	1,700	(65)	80
Saskatchewan	1,400	(55)	--
Manitoba	1,000	(40)	100
Ontario	5,300	(205)	14,100
Quebec	4,100	(160)	200
Prince Edward Island	100	(3)	--
Nova Scotia	600	(25)	--
New Brunswick	600	(25)	60
Newfoundland	160	(6)	--
	16,160	(634)	14,600

Total jobs for Chrysler suppliers are estimated at 10,000. Companies range from 10 to 600 employees in size. Most activity is in Ontario and Québec, but some suppliers are located throughout the country: Amcast Foundry in Manitoba and Anacis Auto Terminal in British Columbia are examples.

Some Major Suppliers:

<u>Company</u>	<u>Product</u>	<u>Location</u>	<u>Approx. employment</u>
Houdaille Industry Inc.	Bumpers	Oshawa, Ont.	600
Eaton Yale	Springs	Chatham, Ont.	550
Goodyear Canada Ltd.	Tires	Valleyfield, Que.	350
Magna International	Mouldings	Toronto, Ont.	280
National Auto Radiator	Steel Stampings	Windsor, Ont.	280
Firestone Canada Ltd.	Tires	Joliette, Que.	120
Steel Company of Canada	Steel Fasteners	Hamilton, Ont.	120
Waterville Cellulose Products	Door Seals	Waterville, Que.	100

Direct wages/salaries:	1979	\$259 million
Expenditures on Canadian goods	1979	\$507 million





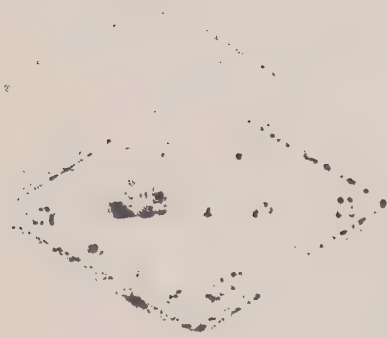
### CHRYSLER CANADA INVESTMENT PROPOSALS

Over the period 1980-85, Chrysler Canada Ltd proposes to spend about \$982M in new investment in Canada as follows:

<u>1980</u>	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>
\$ 62M	\$ 69M	\$ 236M	\$ 469M	\$ 55M	\$ 91M

Major elements of this program are:

- \$413M on the van/wagon project, mainly in 1982 and 1983
- \$161M on the new front wheel drive car, mainly in 1982 and 1983
- \$177M on improvements to manufacturing processes spread over the period 1980-85
- \$40M on modernizing the Etobicoke casing plant mainly in 1981 and 1982, with further improvements in 1985.



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News Release

Communiqué

Industry, Trade  
and Commerce

Industrie  
et Commerce

Contact/Liaison

PHILIPPE CLEMENT 996-1880

For release/Pour publication

IMMEDIATE

Subject/Sujet

3A1  
TI  
-867  
ECONOMIC NATIONALISM AND INDUSTRIAL STRATEGIES

Please note corrections made to  
the translation which are underlined

ECONOMIC NATIONALISM AND  
INDUSTRIAL STRATEGIES

NOTES FOR AN ADDRESS

BY

THE HONOURABLE HERB GRAY, P.C., M.P.  
MINISTER OF INDUSTRY, TRADE AND COMMERCE

TO

THE ANNUAL SYMPOSIUM  
ÉCOLE DES HAUTES ÉTUDES COMMERCIALES

JUNE 3, 1980

Check against delivery





LADIES AND GENTLEMEN:

(Delivered in French)

I SHOULD LIKE TO THANK L'ECOLE DES HAUTES ETUDES COMMERCIALES FOR PROVIDING ME WITH THIS OPPORTUNITY TO ADDRESS SUCH AN IMPORTANT GROUP. I AM PARTICULARLY PLEASED TO BE ABLE TO DO SO TODAY WHEN THE MEMORY OF THE QUEBEC REFERENDUM IS STILL FRESH IN THE MIND OF ALL CANADIANS.

THE REFERENDUM, WITH ALL THE UNCERTAINTY AND DIVISIONS IT HAS ENGENDERED FOR QUEBEC AND THE REST OF CANADA, HAS IN MY OPINION HAD AT LEAST ONE POSITIVE SIDE: IT HAS FORCED CANADIANS IN EVERY REGION OF CANADA TO CARRY OUT A SINCERE, IN-DEPTH ANALYSIS OF THEIR SITUATION AS CITIZENS OF THIS GREAT COUNTRY OF OURS. IT HAS FORCED US TO BECOME AWARE OF WHAT WE ARE AND WHAT WE CAN BECOME IF WE MAKE THE EFFORT. THE REFERENDUM HAS ALSO FORCED US TO OPEN OUR EYES AND SEE MORE CLEARLY THE IMMENSE SPIRITUAL AND MATERIAL WEALTH THAT CANADA OFFERS.

I BELIEVE, IN FACT, THAT CANADA HAS EMERGED FROM THE REFERENDUM WITH THE BEGINNINGS OF A NEW SENSE OF NATIONAL PURPOSE! HOWEVER, I USE THE WORD "BEGINNINGS" POSITIVELY! THE REFERENDUM DID NOT AND COULD NOT ANSWER MANY OF QUESTIONS WHICH LIE AT THE VERY HEART OF CANADA'S VITALITY AS A SOVEREIGN AND ECONOMICALLY VIABLE NATION. THE REFERENDUM DID NOT, FOR EXAMPLE, TEACH US HOW TO RECONCILE THE VERY REAL DIFFERENCES BETWEEN US, AND ADAPT THEM TO A RENEWED FORM OF FEDERALISM WHICH IS STRONG ENOUGH TO HELP US MEET THE MAMMOTH ECONOMIC AND POLITICAL CHALLENGES OF THE EIGHTIES.

IN LOOKING TO THE FUTURE, THEREFORE, WE CAN LITTLE AFFORD TO BASK IN THE WARM LIGHT OF THE REFERENDUM RESULTS FOR LONG. RATHER, THERE REMAINS, I BELIEVE, A VITAL DUTY TO FACE UP TO THE NEED FOR CHANGE — AND BY THAT I MEAN CHANGE IN SOME POLITICAL AND ECONOMIC STRUCTURES AS WELL AS IN CERTAIN ATTITUDES.

(Delivered in English)

NOW MY THOUGHTS ON THE SUBJECT OF TODAY'S SYMPOSIUM, "ECONOMIC NATIONALISM AND INDUSTRIAL STRATEGIES" FOLLOW VERY CLOSELY FROM WHAT I HAVE JUST SAID. FOR IT IS MY FIRM VIEW THAT A VERY LARGE PART OF THE SIGNIFICANCE AND VALUE OF A NATION LIES IN ITS ABILITY TO ADDRESS AND USE ITS RESOURCE ENDOWMENTS, TO FULFILL ITS ECONOMIC PROMISE, AND TO ENHANCE, TO THE MAXIMUM EXTENT POSSIBLE, THE SOCIAL AND ECONOMIC WELL-BEING OF ITS CITIZENS. CANADA DOES, OF COURSE, HAVE THE POTENTIAL TO REALIZE THESE RESULTS. IN OUR ABUNDANT AND RICH NATURAL AND HUMAN RESOURCES, FOR EXAMPLE, WE HAVE THE BASES FOR A PACE OF ECONOMIC GROWTH AND FOR LIVING STANDARD ACHIEVEMENTS THAT COULD BE THE ENVY OF THE WORLD. WHETHER WE WILL, IN FACT, SUCCEED IN REALIZING OUR POTENTIAL IS, HOWEVER, SOMEWHAT MORE PROBLEMATIC; ULTIMATELY, IT WILL DEPEND ON THE WILLINGNESS OF CANADIANS IN EVERY REGION TO WORK TOGETHER AND TO CONTINUE THE CENTURY-OLD TRADITION IN CANADA OF SHARING; AND IT WILL ALSO DEPEND UPON THE STRENGTH OF THE COMMITMENT WE MAKE TO IMPLEMENTING A NATIONAL PROGRAMME TO MOBILIZE OUR COUNTRY'S STRENGTHS, TO CAPITALIZE ON THE ECONOMIC OPPORTUNITIES THAT ARE OPENING UP AND TO EFFECTIVELY TREAT THE PROBLEMS OR OBSTACLES TO OPTIMAL DEVELOPMENT OF OUR ECONOMY.

THE NEW LIBERAL GOVERNMENT IN OTTAWA QUITE FULLY APPRECIATE THE RESPONSIBILITIES THAT IT HAS IN MAKING THESE THINGS HAPPEN. AND INDEED IT WAS THIS RECOGNITION OF RESPONSIBILITY WHICH GAVE RISE TO THE PLEDGE THAT OUR GOVERNMENT MADE IN THE RECENT CAMPAIGN AND RE-ITERATED IN THE SPEECH FROM THE THRONE AT THE OPENING OF THE PRESENT PARLIAMENT TO EMBARK ON A VIGOROUS INDUSTRIAL DEVELOPMENT POLICY THAT WILL MEET TODAY'S NEEDS. THE BROAD ELEMENTS OF THE POLICY ARE, AS DESCRIBED BY THE PRIME MINISTER IN HIS FEBRUARY 12 SPEECH IN TORONTO, TO:

1. CAPITALIZE ON CANADA'S ENERGY BASE IN ORDER TO BUILD A WORLD-COMPETITIVE INDUSTRIAL SECTOR;
2. ENSURE THAT THE FEDERAL GOVERNMENT IS AN ACTIVE PLAYER IN INDUSTRIAL DEVELOPMENT RATHER THAN JUST A PASSIVE REFEREE;
3. STRENGTHEN CANADA'S RESEARCH AND TECHNOLOGY CAPACITY;
4. ENCOURAGE INDEPENDENT CANADIAN-OWNED ENTERPRISE;
5. EXPAND CANADIAN CONTROL OF THE ECONOMY WHILE INCREASING THE BENEFITS FOR CANADIANS FROM THE FOREIGN INVESTMENT ALREADY HERE.

OF COURSE I AM PERFECTLY AWARE THAT IN THE FIVE MONTHS SINCE MR. TRUDEAU SPELLED OUT THE NATIONAL INDUSTRIAL DEVELOPMENT COMMITMENTS OF THE NEW LIBERAL GOVERNMENT, THERE HAS BEEN A GREAT

DEAL OF ATTENTION FOCUSED -- BY MEDIA COMMENTATORS, ACADEMICS AND PRIVATE SECTOR ANALYSTS -- ON DISSECTING AND INTERPRETING THE COMMITMENTS IN TERMS OF BOTH WHAT THEY IMPLY FOR GOVERNMENT ACTION AND THE ULTIMATE SIGNIFICANCE THAT OUR PLANS IN THIS FIELD CAN BE EXPECTED TO HAVE FOR THE OPERATION OF THE CANADIAN ECONOMY. MOREOVER, THE ONE AREA OF THE GOVERNMENT'S INDUSTRIAL PROGRAMME WHICH SO FAR APPEARS TO HAVE GENERATED MORE COMMENTARY AND MORE ANALYSIS THAN ANY OTHER IS THAT RELATING TO FOREIGN CONTROL OF THE ECONOMY. MUCH OF THIS COMMENTARY HAS BEEN WELL-INFORMED, INSIGHTFUL, AND I CAN READILY ADMIT TO HAVING FOUND SOME OF ITS VERY INSTRUCTIVE TO ME PERSONALLY. STILL, THERE HAS BEEN WHAT I CONSIDER A TOO-COMMON TENDENCY TO REGARD MEASURES RELATING TO FOREIGN INVESTMENT OR OWNERSHIP AS SOMEHOW DISTINCT OR SEPARATE FROM INDUSTRIAL DEVELOPMENT POLICY. I COULD HARDLY DISAGREE MORE WITH THIS PERSPECTIVE. RATHER, MY VIEW AND THE VIEW OF MY COLLEAGUES IN THE FEDERAL CABINET IS THAT IF OUR INDUSTRIAL STRATEGY IS TO BE TRULY MEANINGFUL, IF IT IS TO BE EFFECTIVE IN FULFILLING OUR PLEDGE TO IMPROVE THE OVERALL PERFORMANCE OF INDUSTRY IN CANADA, MAKING IT MORE COMPETITIVE ABROAD AND BETTER ABLE TO CREATE JOBS AT HOME, THEN THE POLICY MUST ADDRESS THE VERY PROMINENT FOREIGN PRESENCE ON OUR ECONOMY AND THE MAJOR EFFECTS THAT THE PRESENCE HAS HAD AND CAN IN THE FUTURE HAVE FOR EFFICIENCY, GROWTH AND THE DIRECTIONS OF INDUSTRIAL DEVELOPMENT IN CANADA.

WITHOUT DOUBT, FOREIGN PARTICIPATION IN CANADA'S ECONOMY, IN SOME RESPECTS, HAS BEEN USEFUL! FOR INSTANCE, FOREIGN



PARTICIPATION CAN — ALTHOUGH IT DOES NOT ALWAYS — ADD TO THE POOL OF AVAILABLE INVESTMENT CAPITAL AND SO CAN MAKE POSSIBLE A FASTER PACE OF CAPITAL-INTENSIVE DEVELOPMENT. MOREOVER, THROUGH FACILITATING TRANSFERS OF TECHNOLOGY AND ACCESS TO FOREIGN MANAGEMENT SKILLS AND EXPERTISE, IT HAS THE POTENTIAL TO CONTRIBUTE TO IMPROVED ECONOMIC PERFORMANCE.

ON THE OTHER HAND, HOWEVER, THERE IS GOOD REASON FOR THE CONCERN — ONE THAT IS VERY PREVALENT IN CANADA TODAY — THAT THE VERY HIGH LEVEL OF FOREIGN INVOLVEMENT IN OUR ECONOMY HAS HAD SERIOUS ADVERSE EFFECTS FOR THE COUNTRY'S ABILITY TO FULFILL NATIONAL AND REGIONAL DEVELOPMENT GOALS. BY WAY OF ILLUSTRATING THIS POINT, I NEED ONLY TO REFER TO SOME OFTEN CITED AND PERSISTENT WEAKNESSES IN THE CANADIAN ECONOMY, THAT IS, THE INEFFICIENT, LOW-VOLUME SCALE OF MANY CANADIAN MANUFACTURERS, A LOW-LEVEL OF R&D EXPENDITURE, A HIGH PROPENSITY TO IMPORT MANUFACTURED GOODS, DIFFICULTIES ASSOCIATED WITH THE EXPORT OF MANUFACTURERS, AND AN INABILITY TO EXPLOIT FOR OUR ADVANTAGE THE POTENTIAL LINKAGES BETWEEN NATURAL RESOURCE WEALTH AND THE DEVELOPMENT OF A HEALTHY SECONDARY MANUFACTURING SECTOR. TO A GREATER OR LESSER DEGREE, EACH OF THESE WEAKNESSES HAVE BEEN ATTRIBUTED TO THE SUBSTANTIAL FOREIGN PRESENCE AND, IN PARTICULAR, TO THE LARGE NUMBER OF FOREIGN-CONTROLLED SUBSIDIARIES THAT DOMINATE MOST OF CANADA'S IMPORTANT INDUSTRIAL SECTORS.



I AM NOT SAYING THAT ALL NON-RESIDENT CONTROLLED FIRMS DELIVER LESS THAN THE MAXIMUM POTENTIAL BENEFIT TO CANADA. HOWEVER, THE FACT THAT MANY SUCH COMPANIES DO DELIVER LESS, FROM THE STANDPOINT OF CANADA'S NATIONAL ECONOMIC INTEREST, MAKES IT APPROPRIATE, INDEED, ESSENTIAL, THAT OUR INDUSTRIAL STRATEGY INCLUDES MEASURES NOT ONLY TO IMPROVE THE PERFORMANCE OF THE FOREIGN SECTOR, BUT ALSO TO DEVELOP AND STRENGTHEN CANADIAN-CONTROLLED FIRMS.

THE GOVERNMENT HAS INDICATED ITS PROPOSED NEW INDUSTRIAL POLICY INITIATIVES IN THE RECENT SPEECH FROM THE THRONE. WITH RESPECT TO THE FOREIGN INVESTMENT REVIEW ACT, IT HAS PROPOSED THAT PUBLIC NOTICE BE GIVEN IN ADVANCE OF A DECISION TO ALLOW, OR DISALLOW, LARGER ACQUISITION PROPOSALS SUBJECT TO REVIEW UNDER THE ACT. THE PRESENT ACT PRECLUDES THE GOVERNMENT FROM MAKING ANY SUCH INFORMATION PUBLIC UNTIL A DECISION IS ANNOUNCED. THIS HAS OFTEN BEEN SEEN TO MAKE MORE DIFFICULT ACHIEVEMENT OF THE GOALS OF GREATER CANADIAN-CONTROL OF THE ECONOMY AND IMPROVED PERFORMANCE BECAUSE THERE ARE INSTANCES WHERE CANADIANS, IF THEY WERE AWARE THAT A BUSINESS WAS FOR SALE, WOULD BE WILLING AND ABLE TO MAKE A BID WHICH MIGHT BE BETTER ALL ROUND THAN THE FOREIGN BID.

SECONDLY, THAT FINANCIAL ASSISTANCE BE PROVIDED TO CANADIANS SEEKING EITHER TO COMPETE AGAINST BIDS BY NON-CANADIANS TO ACQUIRE CANADIAN BUSINESSES OR TO REPATRIATE FOREIGN-OWNED INDUSTRIAL ASSETS.

THIRDLY, THAT FIRA UNDERTAKE A PROGRAMME OF PERIODIC REVIEW OF THE INDIVIDUAL PERFORMANCES OF LARGE FOREIGN-OWNED SUBSIDIARIES OPERATING IN CANADA AND TO SEEK TO ENSURE THAT THESE FIRMS ARE OPERATING IN A MANNER THAT MAKE A FAIR CONTRIBUTION TO OUR INDUSTRIAL DEVELOPMENT.

THESE MEASURES, TAKEN TOGETHER WITH THE OTHER ELEMENTS OF OUR NATIONAL INDUSTRIAL DEVELOPMENT POLICY, ARE DESIGNED TO STRENGTHEN CANADIAN PARTICIPATION IN THE ECONOMY AND IMPROVE THE OVERALL CAPACITY OF THE ECONOMY TO GROW AND BRING BENEFITS TO ALL CANADIANS. THEY ARE NOT INTENDED TO FRUSTRATE OR UNFAIRLY BURDEN THE MANY FOREIGN-CONTROLLED FIRMS THAT ARE PRESENTLY ACTING AS GOOD CORPORATE CITIZENS IN THIS COUNTRY BECAUSE THEY ARE DIRECTED AT IMPROVING THE PERFORMANCE OF CANADIAN INDUSTRY, AND NOT AT PREVENTING NEW INVESTMENTS BY NON-RESIDENTS IF THEY ARE OF SIGNIFICANT BENEFIT FOR CANADA.

THEREFORE, IF I CAN SUMMARIZE THE PURPOSE OF OUR PROPOSED NEW MEASURES IN THIS AREA IT IS THIS: TO ENSURE THAT FOREIGN INVESTMENT ADDS TO OUR ABILITY TO TAKE FULL ADVANTAGE OF THE OPPORTUNITIES THAT ARE OPENING UP TO CANADA; TO PROMOTE THE DEVELOPMENT OF STRONG CANADIAN-OWNED BUSINESSES AND TO ENSURE THAT FOREIGN-OWNED COMPANIES OPERATE IN ACCORDANCE WITH CANADIAN INDUSTRIAL GOALS; TO ENCOURAGE SMALL AND LARGE CANADIAN BUSINESSES TO GROW AND BECOME MORE COMPETITIVE WHILE ENSURING THERE IS A PRACTICAL MAXIMUM OF SIGNIFICANT BENEFIT FROM THE FOREIGN-OWNED SECTOR. IN THE CONTEXT OF THE ARRAY OF ACTIONS

THAT WILL MAKE UP THE FEDERAL GOVERNMENT'S NATIONAL DEVELOPMENT POLICY, THE INITIATIVES RESPECTING THE FOREIGN SECTOR WILL, I BELIEVE, HELP TO RESTORE TO CANADIANS A VITAL MEASURE OF CONTROL OVER OUR ECONOMY DESTINY. THEY WILL ALSO CONTRIBUTE TO THE OPTIMAL DEVELOPMENT AND UTILIZATION OF CANADA'S HUMAN NATURAL AND CAPITAL RESOURCES -- AND THESE ARE OUR FUNDAMENTAL GOALS FOR THE 1980S.

(Delivered in French)

AT A TIME WHEN WE ARE PREPARING TO INTRODUCE THESE MEASURES, WE ARE PERFECTLY AWARE OF THE FACT THAT WE ARE LIVING IN A WORLD IN WHICH THE INTERDEPENDENCY OF NATIONS HAS INCREASED CONSIDERABLY AND WILL CONTINUE TO INCREASE STILL MORE AS WE ENTER THE MORE COMPETITIVE PERIOD RESULTING FROM THE GATT NEGOTIATIONS!

HOWEVER, ALTHOUGH WE VIEW THIS AS A PROMISING FACTOR FOR THE FUTURE OF THE CANADIAN ECONOMY, WE MUST ALSO BE CAREFUL NOT TO BE TOO DEPENDENT ON OTHER COUNTRIES! THIS WOULD BE INEVITABLE IF WE DID NOT SUPPORT OUR OWN ECONOMY JUST AS MOST OF OUR COMPETITORS . THESE MEASURES INCLUDE SUPPORT FOR OUR INDUSTRIES, CONTROLS ON INVESTMENT AND GOVERNMENT PURCHASING POLICIES.

THAT IS PRECISELY WHAT I WANT TO DO IN ORDER TO GIVE CANADIAN INDUSTRY EVERY OPPORTUNITY TO PROSPER IN THIS NEW INTERNATIONAL ECONOMIC ENVIRONMENT. WE WANT TO MAKE CANADA A POWERFUL INDUSTRIAL NATION BY USING AN APPROACH MORE BASED ON OUR HUMAN AND NATURAL RESOURCES!

IF WE WISH TO REMAIN A MEMBER OF THE LEADING GROUP OF INDUSTRIALIZED NATIONS IN ORDER TO MAINTAIN AND IMPROVE OUR STANDARD OF LIVING, WE HAVE TO BE VIGILANT AND ENSURE THAT CANADIAN AND FOREIGN ENTERPRISES BOTH WORK TOWARD THE SAME GOAL!

FOR THIS REASON, LADIES AND GENTLEMEN, THE FEDERAL GOVERNMENT IS DETERMINED TO TAKE ACTION BECAUSE, IN OUR VIEW, THIS IS THE BEST WAY TO GUARANTEE A PROSPEROUS FUTURE FOR ALL CANADIANS.

IT IS IN THIS SENSE THAT ECONOMIC NATIONALISM ENCOURAGES AND FORMS AN INTEGRAL PART OF AN INDUSTRIAL STRATEGY WHICH WILL BENEFIT EVERY REGION AND EVERY PERSON IN CANADA!







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For release/Pour publication

THURSDAY JUNE 5, 1980

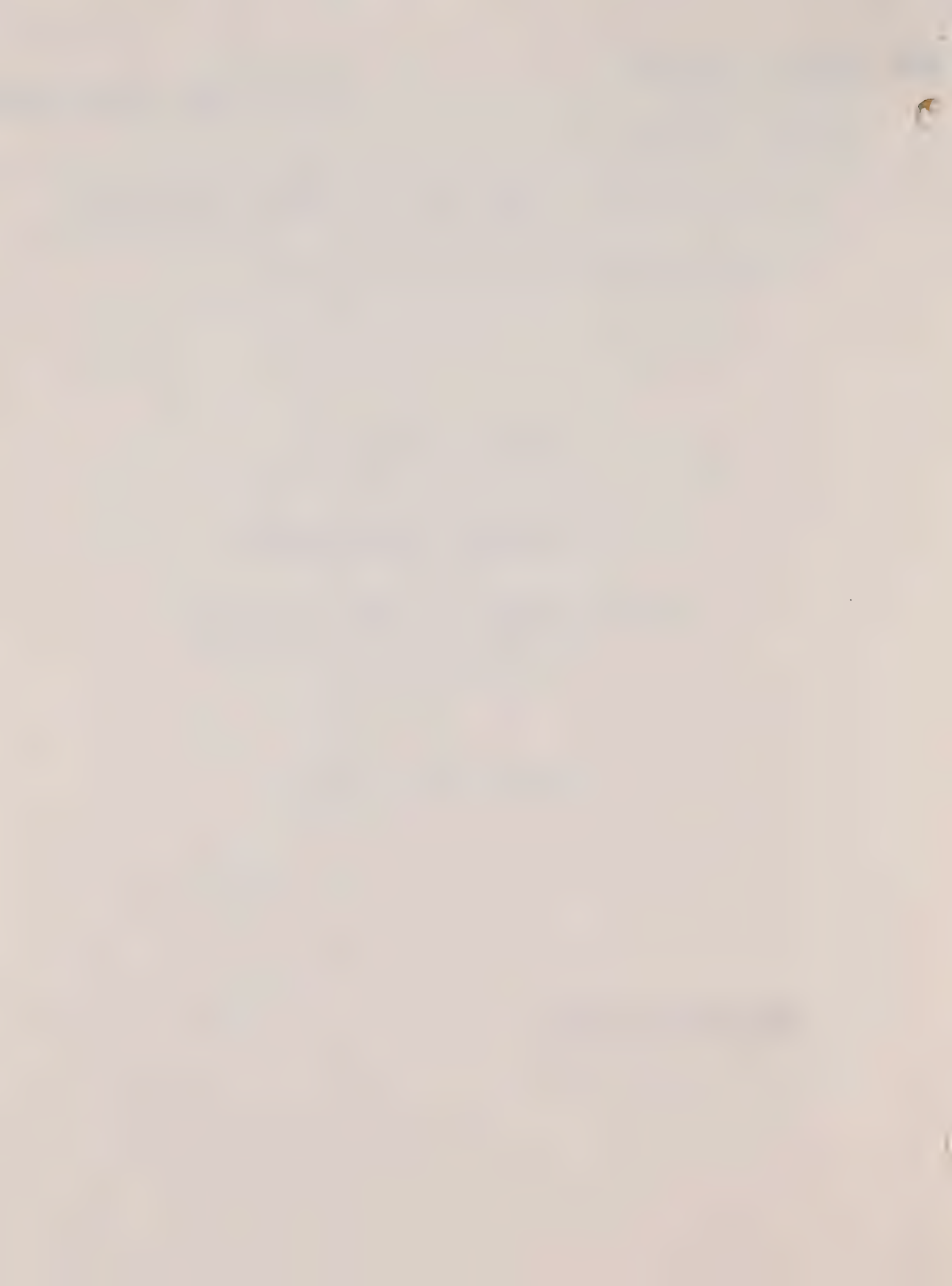
Subject/Sujet

ADDRESS BY THE HONOURABLE CHARLES LAPOINTE

NOTES FOR REMARKS  
BY  
THE HONOURABLE CHARLES LAPOINTE  
TO THE  
CAPITAL REGIONAL DEVELOPMENT COMMISSION  
FREDERICTON, N.B.

THURSDAY, JUNE 5, 1980

CHECK AGAINST DELIVERY



DEAR FRIENDS:

I WOULD FIRST LIKE TO EXPRESS MY PLEASURE AT BEING WITH YOU TODAY. I WAS PLEASED TO ACCEPT YOUR INVITATION FOR SEVERAL REASONS. YOU ARE GIVING ME AN OPPORTUNITY TO OUTLINE FOR YOU THE BASIC APPROACH I INTEND TO TAKE AS MINISTER OF STATE FOR SMALL BUSINESSES, A PORTFOLIO THAT IS OF SPECIAL INTEREST TO YOU AS MEMBERS OF THE CAPITAL REGIONAL DEVELOPMENT COMMISSION. ON A PERSONAL NOTE, WE ARE ALMOST NEIGHBOURS. AS YOU MAY KNOW, I REPRESENT THE CONSTITUENCY OF CHARLEVOIX WHICH, ALTHOUGH IT IS ON THE NORTH SHORE OF THE ST. LAWRENCE, IS GEOGRAPHICALLY CLOSE TO NEW BRUNSWICK AND SHARES SOME OF ITS HISTORY AND CULTURE WITH THE NORTHERN PART OF YOUR PROVINCE. LIKE MANY CONSTITUENCIES IN BOTH QUEBEC AND NEW BRUNSWICK, MINE IS ONE IN WHICH SMALL BUSINESS IS THE ONLY BUSINESS. THAT BEING SO, I HAVE LEARNED BY EXPERIENCE MANY OF THE PROBLEMS OF SMALL BUSINESSMEN. AND, EQUALLY, I HAVE LEARNED TO ADMIRE THE QUALITIES OF THE ENTREPRENEUR; QUALITIES OF DETERMINATION, OF RISK, OF DARING, OF COPING. IN THAT SENSE, MY CONSTITUENCY HAS GIVEN ME SOME BASIC TRAINING FOR MY NEW AND CHALLENGING RESPONSIBILITIES.

AS A NEW MEMBER OF CABINET, I WAS ALMOST IMMEDIATELY FACED WITH THE REFERENDUM PROBLEM IN QUEBEC. AFTER A REFERENDUM CAMPAIGN STRETCHING OVER MANY WEEKS, THE PEOPLE SPOKE. A MAJORITY OF THE PEOPLE OF QUEBEC CHOSE TO REJECT SOVEREIGNTY-ASSOCIATION, AND TO RE-AFFIRM THEIR LOYALTY TO CANADA.

DESPITE THE DIFFERENCES IT MADE MORE APPARENT, THE REFERENDUM PRODUCED AT LEAST ONE BENEFIT: IT FORCED US, AS CANADIANS, TO THINK MORE PROFOUNDLY ABOUT WHO WE ARE, AND ABOUT THE INCREDIBLE SPIRITUAL AND MATERIAL HEALTH OF THIS COUNTRY. HAVING RE-AFFIRMED OUR WILL TO LIVE TOGETHER, IT IS NOW INCUMBENT UPON US TO GET ON WITH THE JOB OF RE-BUILDING OUR HOME, TO CONFORM TO THE NEW REQUIREMENTS OF THE CANADIAN FAMILY.

ALTHOUGH MANY DIFFERENCES SEPARATED THE SUPPORTERS OF THE "YES" AND "NO" OPTIONS IN THE REFERENDUM, ALL HAD THIS IN COMMON: THE DESIRE FOR CHANGE. WE CAN SAY THAT THE KIND OF CHANGE DESIRED BY THE MAJORITY OF QUEBECERS IS THE KIND OF CHANGE WHICH CAN AND SHOULD TAKE PLACE WITHIN OUR SYSTEM OF FEDERALISM.

IT IS UPON THIS DESIRE FOR CHANGE THAT WE MUST BUILD A RENEWED CANADIAN FEDERATION, GIVING TO ALL QUEBECERS, AS TO EVERYONE ELSE IN THIS COUNTRY, MANY MORE REASONS TO PROCLAIM PROUDLY THAT WE ARE CANADIANS.

WE ARE NOW FACED WITH THE TASK OF BRINGING TOGETHER THE AMBITIONS OF THE VARIOUS PROVINCES, WHILE AT THE SAME TIME, RESPONDING TO THE NEEDS OF A UNITED CANADA, WHICH CAN TRULY BE A HOMELAND FOR ALL OF US. I THINK THAT WE WILL ACHIEVE THIS GOAL IF WE CAN COUNT ON THE GOODWILL OF ALL CANADIANS, AND ALSO ON OUR PART WHICH HAS ALWAYS BEEN A PROOF THAT "SHARING" IS WHAT THIS COUNTRY IS ALL ABOUT.

I AM CONSCIOUS THAT I AM TODAY IN THE HEART OF BEAVERBROOK COUNTRY. LORD BEAVERBROOK WAS AN OUTSTANDING

EXAMPLE OF CANADIAN ENTREPRENEURIAL SUCCESS. I AM AWARE THAT BEAVERBROOK EMIGRATED AND MADE A SIGNIFICANT CONTRIBUTION TO HIS ADOPTED COUNTRY BRITAIN AS WELL AS - THROUGH HIS WAS SERVICE IN GOVERNMENT - TO THE FREE WORLD.

I MUST SAY TO YOU AS A REPRESENTATIVE OF A GOVERNMENT THAT BELIEVES PROFOUNDLY IN THE FUTURE OF CANADA THAT I ONLY WISH LORD BEAVERBROOK HAD FELT HE COULD HAVE STAYED IN CANADA. WE WANT TO ENCOURAGE THE ENTREPRENEURIAL SPIRIT PERSONIFIED BY LORD BEAVERBROOK - BUT ALSO LESS SPECTACULARLY BY MANY ACTIVE IN THIS PROVINCE NOW - AND WE WANT TO KEEP IT IN CANADA.

IT SEEMS TO ME THAT YOUR ORGANIZATION HAS THE RIGHT IDEA. I NOTICED THAT THE INTRODUCTION TO YOUR BROCHURE SAYS IN A FEW WORDS WHAT YOU - AND WE IN GOVERNMENT - ARE STRIVING TO ACHIEVE. ALTHOUGH MANY OF YOU MAY BE FAMILIAR WITH THEM, LET ME QUOTE FROM YOUR BROCHURE BECAUSE YOUR WORDS ARE APPROPRIATE AS AN INTRODUCTION TO THE MESSAGE I WANT TO LEAVE WITH YOU TODAY.

(QUOTE) " THE ONE HUNDRED THOUSAND PEOPLE WHO LIVE IN THE REGION FIND IT A BEAUTIFUL, CONGENIAL AND FASCINATING HOME. THEY LIKE ITS FREEDOM FROM RACIAL AND RELIGIOUS TENSIONS. THEY LIKE IT BECAUSE IT IS A SANE AND HEALTHY PLACE TO BRING UP CHILDREN. THEY LIKE IT BECAUSE, WITH GOOD GOVERNMENT CO-OPERATION, SENSIBLE MANAGEMENT/LABOUR RELATIONS, AND WITH RELATIVE PROSPERITY, IT IS A GOOD PLACE TO ESTABLISH A FACTORY OR PROCESSING PLANT, A SERVICE INDUSTRY, A RETAIL STORE, A RESORT, AN ADMINISTRATIVE OFFICE, OR ANY OTHER KIND OF BUSINESS" (UNQUOTE)



GOOD GOVERNMENT CO-OPERATION. YOU ALL KNOW THAT GOVERNMENT IS A MANY-LAYERED THING. YOUR OWN ORGANIZATION IS ANSWERABLE TO YOUR MUNICIPALITIES AND I KNOW YOU HAVE THEIR SUPPORT. LIKEWISE, PREMIER HATFIELD'S GOVERNMENT HAS SUCCEEDED IN ESTABLISHING PROGRAMS THAT HAVE ASSISTED SMALL BUSINESS IN A NUMBER OF WAYS. I AM HAPPY TO ACKNOWLEDGE THE IMPORTANT PRIMARY ROLE THE PROVINCIAL GOVERNMENT IS PLAYING, AND PLAYING SUCCESSFULLY, IN FOSTERING A CLIMATE IN WHICH SMALL BUSINESS CAN FLOURISH. FULLY NINETY-EIGHT PER CENT OF COMPANIES IN NEW BRUNSWICK ARE SMALL BUSINESSES - THAT IS, COMPANIES WITH ANNUAL SALES OF \$2 MILLION OR LESS.

IT IS BECAUSE WE ALL AGREE ON THE IMPORTANCE OF SMALL BUSINESSES IN CANADA THAT I INTEND TO TAKE A FEW MINUTES TO ACQUAINT YOU WITH THE FEDERAL GOVERNMENT'S INVOLVEMENT IN PROMOTING ECONOMICAL SPHERES AFFECTING THIS SECTOR.

AS YOU KNOW, SMALL AND MEDIUM-SIZED BUSINESS IS OF PRIME IMPORTANCE TO US IN THE LIBERAL GOVERNMENT. WE HAD AN OPPORTUNITY IN THE ELECTORAL CAMPAIGN TO STATE OUR ECONOMIC POLICY. INCIDENTALLY, IN AN IMPORTANT SPEECH DELIVERED IN TORONTO ON FEBRUARY 12 LAST, MR. TRUDEAU REAFFIRMED OUR FAITH IN THE PRIVATE SECTOR. WE ARE SERIOUS WITH REGARDS TO THIS AREA BECAUSE THE PRIVATE SECTOR IS THE BEST FORCE WE CANADIANS HAVE FOR THE DIVERSIFICATION OF OUR ECONOMY. IT IS THE PRIVATE SECTOR THAT CAN ENSURE OUR ECONOMIC FUTURE.

IN THIS REGARD, THE CANADIAN ECONOMY RELIES HEAVILY ON SMALL BUSINESS. FOR EXAMPLE, THE SMALL BUSINESS SECTOR ACCOUNTED FOR 24.5% OF TOTAL SALES OF CANADIAN BUSINESS IN 1976. FOR THE WHOLE OF CANADA, SMALL BUSINESS REPRESENTED 42% OF EMPLOYMENT AND CONTRIBUTED ABOUT 30% OF OUR "BUSINESS GROSS NATIONAL PRODUCT".

CLEARLY THE NATIONAL INTEREST IN THE SUCCESS OF SMALL BUSINESS IS STRONG.

DURING THE SIXTIES AND EARLY SEVENTIES CANADA, ALONG WITH OTHER WESTERN DEMOCRACIES, PASSED THROUGH A PERIOD OF DYNAMIC GROWTH. BUT IT WAS OFTEN GROWTH OF THE LARGE AT THE EXPENSE OF THE SMALL. THE CITIES BOOMED AS PEOPLE MIGRATED FROM THE SMALLER CENTRES IN SEARCH OF JOBS. WE RECOGNIZE THAT GOVERNMENT GREW SUBSTANTIALLY AT ALL LEVELS. SMALL BUSINESS ALL TOO OFTEN TENDED TO GIVE WAY TO BIGGER BUSINESS.

IF WE ARE TO BUILD A BETTER ECONOMY IN CANADA, THE BUSINESSMAN AND IN PARTICULAR, THE SMALL BUSINESSMAN, IS THE BACKBONE, OR KING PIN, OF THIS NEW APPROACH -- I SAY "NEW" BUT THAT IS A BIT PRETENTIOUS -- THIS ECONOMIC APPROACH. WHY IS THE BUSINESSMAN THE KING PIN OF THIS ECONOMIC APPROACH? QUITE SIMPLY BECAUSE, AMONG CANADIANS, YOU ARE THE MOST DYNAMIC, THE PEOPLE WITH THE IDEAS, THE RISKTAKERS. I THINK ANY SOCIETY WHICH IS FOUNDED ON SUCH QUALITIES IS CERTAIN TO BE ABLE TO IMPROVE ITS LOT.

THIS IMPORTANCE WE ATTACH TO THE PRIVATE SECTOR HAS NOT BEEN SLOW IN ASSUMING TANGIBLE EXPRESSION. THE RECENT THRONE SPEECH IS PROOF OF THAT. YOU KNOW, A NEW POLICY OF ECONOMIC NATIONALISM HAS BEEN SET FORTH -- SOME PEOPLE ARE TALKING OF PROTECTIONISM. IT IS NOT A TERM I LIKE ALL THAT MUCH. BUT, IN ANY CASE, WE CANADIANS MUST PROVE TO OURSELVES THAT WE ARE BETTER THAN THE OTHERS; WE MUST BE MORE AGGRESSIVE AND TAKE THE MARKETS THAT ARE OURS BY RIGHT. CONSEQUENTLY, IT IS QUITE OBVIOUS THAT SMALL AND MEDIUM-SIZED BUSINESS IS EXTREMELY IMPORTANT IN ALL THIS INDUSTRIAL STRATEGY FOR ECONOMIC NATIONALISM. IF WE LOOK AT THE ECONOMIC PICTURE OF CANADA, 95 PER CENT OF THE EXCLUSIVELY CANADIAN FIRMS CONSIST OF SMALL AND MEDIUM-SIZED BUSINESSES. FOR ME, THIS INDICATED THE POSITION OF PRIME IMPORTANCE YOU HOLD IN ALL THIS STRATEGY.

COMING BACK TO THE THRONE SPEECH, THE GOVERNOR GENERAL SAID THAT, IN ORDER TO ASSIST SMALL-SCALE ENTREPRENEURS, THE CEILING OF LOANS GRANTED UNDER THE TERMS OF THE SMALL BUSINESSES LOANS ACT WOULD BE INCREASED FROM \$75,000 TO \$100,000. I HAD THE PLEASURE TABLING THIS BILL AND IT IS NOW AWAITING THIRD READING. I ALSO TABLED ANOTHER BILL TO RAISE THE FEDERAL BUSINESS DEVELOPMENT BANK'S FINANCIAL CEILING SO THAT THE BANK CAN EFFECTIVELY CARRY ON WITH ITS ACTIVITIES OF PROVIDING LOANS AND ADVICE TO ENTREPRENEURS. THIS BILL IS PRESENTLY IN COMMITTEE. YOU MIGHT BE INTERESTED TO KNOW THAT DURING 1979, THE FBDB LOANED ABOUT \$79 MILLION TO THE ATLANTIC PROVINCES, PROVIDING ASSISTANCE TO A BROAD RANGE OF INDUSTRIAL SECTORS, INCLUDING MANUFACTURING,

WHOLESALE AND RETAIL, TOURISM AND AGRICULTURE.

YOU MAY RECALL THAT THE THRONE SPEECH SAID: "MY MINISTERS BELIEVE THAT THE STAKE OF CANADIANS IN THEIR OWN ECONOMIC DESTINY MUST BE STRENGTHENED. GOVERNMENT PROCUREMENT WILL BE USED VIGOROUSLY, IN A MANNER CONSISTENT WITH OUR INTERNATIONAL COMMITMENTS, TO ENCOURAGE THE CREATION AND EXPANSION OF INDEPENDENT CANADIAN-OWNED ENTERPRISES." AS MINISTER RESPONSIBLE FOR SMALL BUSINESSES, I WANT TO ENSURE THAT ALL FEDERAL DEPARTMENTS RECOGNIZE THE IMPORTANCE OF SMALL BUSINESSES WHEN CONSIDERING MAJOR CAPITAL EXPENDITURES. THIS MEANS THAT I HAVE A HORIZONTAL ROLE TO PLAY. FOR EXAMPLE, I MAY SUGGEST TO THE MINISTER OF SUPPLY AND SERVICES THAT, IN A PARTICULAR CONTRACT, THERE SHOULD BE A CLAUSE PROVIDING FOR SPINOFFS FOR SMALL AND MEDIUM-SIZED BUSINESS. IT IS IN THIS ADVOCACY ROLE THAT I OPERATE HORIZONTALLY WITH ALL GOVERNMENT DEPARTMENTS.

SO, AS YOU SEE, WE DID NOT TAKE LONG TO ACT ON PRESSING MATTERS THAT COULD BE DEALT WITH. I KNOW THAT FOR MANY BUSINESSMEN, AND I AM SURE THAT FOR MOST OF YOU, THIS IS THE AREA IN WHICH YOU ARE HOPING WE WILL ACT WITH THE UTMOST SPEED. IN MY MEETINGS WITH BUSINESSMEN AND WITH CERTAIN ASSOCIATIONS, I AM ALWAYS BEING TOLD: "CHARLES, DON'T BRING US ANY MORE PROGRAMMES. WE DON'T WANT THEM. KEEP YOUR HANDS OUT OF OUR POCKETS ... AND WE WILL BE MOST HAPPY!"

AS MANY OF YOU ARE AWARE, ON APRIL 21, MR. MACEachEN PRESENTED TO THE HOUSE TWO MEASURES AFFECTING SMALL BUSINESSES.

THE FIRST PERMITS BONDS TO BE ISSUED FOR DEVELOPMENT OF SMALL BUSINESSES. THIS TAX MEASURE WILL ENABLE BANKS AND OTHER LENDING INSTITUTIONS TO CONSIDER INCOME FROM INTEREST PAYMENTS AS DIVIDENDS FOR TAX PURPOSES. AS YOU KNOW, THE TAXATION OF DIVIDENDS IS MORE BENEFICIAL, AND THIS DECISION ENABLES BANKS TO LEND TO BUSINESSES WHICH QUALIFY AT BETTER RATES.

THE SECOND ALLOWS OWNERS OF INCORPORATED BUSINESSES TO DEDUCT, FROM TAXABLE INCOME, SALARIES PAID TO SPOUSES. THIS MEASURE WILL HAVE WIDE RANGING APPLICABILITY TO SOME SIX HUNDRED THOUSAND BUSINESSES WHICH ARE NOT INCORPORATED AND THE GREAT MAJORITY OF WHICH ARE SMALL. IT WILL EFFECTIVELY ALLOW A REDUCTION IN INCOME TAXES PAYABLE BY ALLOWING A SPLITTING OF INCOME BETWEEN A PROPRIETOR AND HIS/HER SPOUSE, PROVIDED THAT THE AMOUNT OF SALARY IS REASONABLE IN THE CIRCUMSTANCES. THIS PROVISION COMPLEMENTS AN EXISTING PROVISION ALLOWING PAYMENT OF A SALARY TO SONS AND DAUGHTERS.

OF COURSE, WE HAVE NOT YET BEEN ABLE TO TOUCH THE PRIMARY TAX STRUCTURE WITH REGARD TO SMALL AND MEDIUM BUSINESSES. IF AT THIS TIME WE TAKE A VERY CLOSE LOOK AT THE STATISTICS, THE TAX RELIEF YOU RECEIVE -- OR THE LOWER TAXATION ON THE FIRST PART OF YOUR PROFITS -- IN COMPARISON WITH BIG BUSINESS IS QUITE SMALL. ALL THIS IS WHAT I AM PRESENTLY DISCUSSING WITH MY COLLEAGUES. IT IS NOT POSSIBLE FOR US TO TAKE ANY SHORT-TERM ACTION ON THE TAX STRUCTURE OUTSIDE OF A BUDGET. CONSEQUENTLY,



IT IS GOING TO BE NECESSARY TO WAIT FOR A BUDGET, THAT IS GIVING US TIME TO DO SOME THINKING IN CONSULTATION WITH YOU AND WITH THE BUSINESS COMMUNITY AS A WHOLE!

I HAVE ANOTHER STRONG INTEREST. I AM CURRENTLY IN THE PROCESS OF WORKING OUT WITH MY COLLEAGUES HERB GRAY AND ED LUMLEY OUR ENTIRE IMPORT REPLACEMENT POLICY SO THAT THE CANADIAN BUSINESSES CAN REPLACE THE PRODUCTS WE IMPORT, AND RIGHTLY SO.

IN THIS CONTEXT, I WELCOMED THE COMMENTS THE OTHER DAY OF MR. J.E. NEWALL, PRESIDENT OF THE CANADIAN MANUFACTURERS ASSOCIATION. MR. NEWALL NOTED THAT CANADA HAD A DEFICIT OF \$17 BILLION DOLLARS IN TRADE IN FULLY MANUFACTURED GOODS. HE SAID THE DEFICIT CAN BE A MASSIVE PROBLEM BUT, EQUALLY, IT CAN BE A MASSIVE OPPORTUNITY IN THE EIGHTIES. I QUOTE: "IF WE CAN GET THE FORMULA RIGHT, WE CAN DISPLACE IMPORTS AND INCREASE EXPORTS ..." UNQUOTE. AS FOR MY RESPONSIBILITIES, I AM CONSIDERING WAYS IN WHICH THE GOVERNMENT CAN HELP BUSINESSES IDENTIFY IMPORTED PRODUCTS IT CAN REASONABLY EXPECT TO DISPLACE. PERHAPS A SIMPLE WAY COULD BE FOUND -- EITHER THROUGH TRADE SHOWS OR IN PUBLISHED MATERIAL -- TO SHOW ENTREPRENEURS WHAT PRODUCTS ARE REQUIRED AND ARE PRESENTLY IMPORTED. THIS WOULD ALLOW THE INDIVIDUAL BUSINESS PERSON THE OPPORTUNITY TO SAY "MAYBE I CAN MAKE SUCH A LINE OF PRODUCTS TO REPLACE THE IMPORTS". IT IS AN IDEA I'M TOYING WITH AT THIS TIME.

PERHAPS I SHOULD SAY THAT MANY SMALL BUSINESSMEN HAVE IN THE PAST CONSIDERED THAT COPING WITH GOVERNMENT WAS AMONG THEIR

BIGGEST PROBLEMS. IN A LITTLE BOOK CALLED MURPHY'S LAW, ARTHUR BLOCH GIVES THIS RULE FOR DEALING WITH BUREAUCRACIES: (QUOTE) "WHEN THE GOVERNMENT'S REMEDIES DO NOT MATCH YOUR PROBLEM, YOU MODIFY THE PROBLEM NOT THE REMEDY" (UNQUOTE).

LET ME ASSURE YOU, LADIES AND GENTLEMEN, THAT I AM DETERMINED, THE NEW LIBERAL GOVERNMENT IS DETERMINED, TO DO EVERYTHING POSSIBLE TO MAKE SURE THAT THE REMEDIES WILL BE CHANGED TO MATCH THE PROBLEMS.

I REALIZE THAT YOU ARE IRRITATED BY THE GOVERNMENT'S NUMEROUS PROGRAMMES AND ADMINISTRATIVE UNWIELDINESS. THEN I INTEND TO MAKE EVERY EFFORT TO COMPLY TO THE UTMOST WITH THOSE WISHES YOU EXPRESS, AND WHICH ARE QUITE NORMAL, TO SEE TO IT THAT THE GOVERNMENT IS A SOURCE OF SUPPORT, NOT ANNOYANCE. SINCE I AM RESPONSIBLE FOR THE REDUCTION OF PAPERBURDEN, I HAVE REQUESTED A REVISION OF THE TERMS UNDER WHICH THAT OFFICE OPERATES AND I AM CURRENTLY NEGOTIATING WITH THE PRESIDENT OF TREASURY BOARD TO EXTEND THE TERMS OF REFERENCE OF THAT OFFICE SO THAT IT IS NO LONGER JUST THE OFFICE FOR THE REDUCTION OF PAPERBURDEN BUT ALSO A GENERAL OFFICE FOR DE-REGULATION.

I KNOW I CANNOT EXPECT TO CHANGE THE ENTIRE BUREAUCRACY, BUT I WILL TRY TO CHANGE THE REGULATIONS THAT MOST AFFECT SMALL BUSINESS. I DON'T WANT BUSINESSMEN TO TELL ME ANY MORE, AFTER

HAVING APPROACHED GOVERNMENT OFFICIALS: "CHARLES, TELL YOUR OFFICIALS TO GO BACK HOME. I'VE ENDED UP WITH A DOZEN FORMS AND I CAN'T MAKE HEAD NOR TAIL OF THEM. THEY ARE DRIVING ME CRAZY".

IN FUTURE, OUR HELP IN PREPARING BUSINESS TO ADAPT TO NEW MARKET TRENDS, TECHNOLOGIES AND SOCIOLOGICAL PATTERNS MAY BE EQUALLY OR MORE WORTHWHILE TO THE SMALL ENTREPRENEURS. IN OTHER WORDS, WE MAY PLAN A VITAL ROLE IN HELPING "GET THE FORMULA RIGHT".

I THINK, THEN, THAT A MAJOR HOUSE-CLEANING IS UNDERWAY AT THE PRESENT TIME. I THINK IT'S GOOD TO BLOW THE DUST OFF SOME THINGS. I HAVE ASKED -- I SAY "I HAVE" BECAUSE I AM THE MINISTER RESPONSIBLE (YOU KNOW THE MINISTERS, WE ARE ALL PRIMA DONNAS AND USE I READILY) -- WELL THEN, I HAVE ASKED FOR TWO STUDIES, ONE ON FINANCIAL PROGRAMMES THAT AFFECTED SMALL AND MEDIUM-SIZED BUSINESSES AND THE OTHER ON THE IMPLICATION OF GOVERNMENT PROGRAMMES FOR SMALL AND MEDIUM-SIZED BUSINESSES. FROM THESE MAJOR STUDIES, I SHALL BE ABLE TO MAKE A POLICY STATEMENT, PROBABLY TOWARDS THE END OF THE YEAR, CONCERNING OUR ACTIVITIES AND THE ASSISTANCE AND SERVICES WE WISH TO MAKE AVAILABLE TO YOU, AS MEMBERS OF THE SMALL BUSINESS COMMUNITY.

OUR GOVERNMENT IS COMMITTED TO HELPING ENTREPRENEURS LIKE YOURSELVES. OUR GOVERNMENT IS ALSO COMMITTED TO DEVELOPING

A NATIONAL INDUSTRIAL STRATEGY TO SERVE THIS COUNTRY WELL THROUGH THE EIGHTIES. AS WE REVIEW OUR SUPPORT SYSTEMS FOR SMALL BUSINESS, AS WE BUILD THAT NEW NATIONAL STRATEGY, ENCOURAGEMENT FOR OUR ENTREPRENEURS WILL BE FUNDAMENTAL BECAUSE, LADIES AND GENTLEMEN, OUR BOTTOM LINE IS FAITH IN THE PEOPLE OF OUR COUNTRY.

I HAVE COME BEFORE YOU TODAY TO ASSURE YOU THAT YOU HAVE A FRIEND IN THE FEDERAL CABINET. I INTEND TO BE YOUR ADVOCATE, TO ENSURE THAT YOUR INTEREST ARE FAIRLY CONSIDERED AND PROTECTED WITHIN THE FEDERAL GOVERNMENT. I SHALL BE VERY RESPONSIVE TO YOUR PROBLEMS AND SUGGESTIONS, BECAUSE YOU OCCUPY A SPECIAL PLACE, BECAUSE YOU ARE MY BEST SOURCE OF INFORMATION AND IDEAS. WITHOUT YOUR CO-OPERATION, I REALLY CAN DO NOTHING AS MINISTER FOR SMALL BUSINESSES (AND ALSO RESPONSIBLE FOR TOURISM). WE SHOULD BE OPTIMISTIC BECAUSE IF WE CONTINUE TO WORK TOGETHER, TO FREELY COMMUNICATE OUR PROBLEMS, WE, AS THE SMALL BUSINESS SECTOR, WILL CONTINUE TO BE CANADA'S VITAL MAJORITY.

THANK YOU.



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For release/Pour publication

PHILIPPE CLEMENT (996-1880)

IMMEDIATE

Subject/Sujet

SPECIAL SEMINAR ON THE AUTO PACT

NOTES FOR A SPEECH

BY

THE HONOURABLE HERB GRAY, P.C., M.P.,

MINISTER OF INDUSTRY, TRADE AND COMMERCE

TO

GREATER WINDSOR FOUNDATION AND WINDSOR AND

DISTRICT LABOUR COUNCIL

SPECIAL SEMINAR ON THE AUTO PACT

"WHERE TO IN THE 1980s"

DIEPPE ROOM, CLEARY AUDITORIUM

WINDSOR, ONTARIO

FRIDAY, JUNE 13TH 1980, 8:15 P.M.

CHECK AGAINST DELIVERY





LAST FEBRUARY, PRIME MINISTER TRUDEAU, SPEAKING IN WINDSOR, MADE AN IMPORTANT STATEMENT SETTING OUT COMMITMENTS OF A NEW LIBERAL GOVERNMENT ON ITS POLICY FOR THE AUTO INDUSTRY. I WANT TO BEGIN BY RECALLING THOSE COMMITMENTS, AND SPEAKING ABOUT THE ACTION BEING TAKEN TO CARRY THEM OUT IN THE RELATIVELY SHORT PERIOD OF LITTLE MORE THAN THREE MONTHS SINCE THE NEW GOVERNMENT TOOK OFFICE.

MR. TRUDEAU SAID THAT THERE WOULD BE A PROGRAMME TO HELP CHRYSLER CANADA GET THE CAPITAL IT REQUIRED TO RESTRUCTURE ITS OPERATIONS IN ORDER TO PRODUCE THE KINDS OF VEHICLES AND PARTS THAT WOULD MEET THE DEMANDS OF CONSUMERS FOR THE 80S AND BEYOND. THIS PROGRAMME, HE SAID, WOULD BE PUT IN PLACE IN RETURN FOR COMMITMENTS BY CHRYSLER ON JOBS, PRODUCTIONS, INVESTMENT AND RESEARCH AND DEVELOPMENT.

ON MAY 10TH I ANNOUNCED THAT THE GOVERNMENT HAD REACHED AGREEMENT WITH CHRYSLER TO IMPLEMENT SUCH A PROGRAMME. I AM SURE THAT BEFORE THIS AUDIENCE, I NEED NOT GO INTO THE DETAILS OF THAT AGREEMENT. THE WORK OF PUTTING IT INTO FORMAL, LEGAL LANGUAGE IN A DOCUMENT TO BE MADE PUBLIC AND TABLED IN THE HOUSE OF COMMONS IS CLOSE TO COMPLETION.

IN HIS STATEMENT, THE PRIME MINISTER SAID THAT HIS NEW MINISTER OF INDUSTRY, TRADE AND COMMERCE WOULD HOLD DISCUSSIONS WITH THE MOTOR VEHICLE MANUFACTURERS FOR THE PURPOSE OF SEEKING NEW

COMMITMENTS FROM THEM FOR ADDITIONAL ACTIVITY IN CANADA IN AREAS SUCH AS SOURCING OF PARTS, AND RESEARCH AND DEVELOPMENT. I BEGAN SUCH DISCUSSIONS WITHIN DAYS OF BECOMING MINISTER OF INDUSTRY, TRADE AND COMMERCE. I DECIDED, HOWEVER, TO BROADEN THESE TALKS TO INCLUDE NOT ONLY THE HEADS OF THE MOTOR VEHICLE MANUFACTURERS IN CANADA, BUT ALSO THE HEADS OF THEIR PARENT COMPANIES, THE INDEPENDENT PARTS MANUFACTURERS AND THE CANADIAN LEADERS OF UNITED AUTOMOBILE WORKERS. I HAVE ALREADY HAD A FIRST ROUND OF DISCUSSIONS WITH THE UAW, THE INDEPENDENT PARTS MANUFACTURERS, THE PRESIDENT OF THE THREE MAJOR CANADIAN COMPANIES, AND THE PRESIDENTS OF THE PARENT CHRYSLER AND FORD COMPANIES. I WILL BE MEETING WITH THE HEADS OF GENERAL MOTORS AND AMERICAL MOTORS IN THE UNITED STATES ON JUNE 23RD. IN MY DISCUSSIONS, I HAVE STATED STRONGLY THE GOVERNMENT'S DESIRE TO HAVE NEW COMMITMENTS FOR INCREASED ACTIVITY IN AREAS LIKE SOURCING OF PARTS AND RESEARCH AND DEVELOPMENT. HOWEVER, I DO NOT EXPECT THAT DECISIONS BY THE MOTOR VEHICLE MANUFACTURERS WILL BE FORTHCOMING UNTIL IT IS CLEARER WHAT DIRECTIONS WILL BE TAKEN BY THE AMERICAN GOVERNMENT AS A RESULT OF THE DISCUSSIONS ABOUT THE AUTO PACT, WHICH I'LL BE SPEAKING ABOUT IN A FEW MINUTES.

A THIRD COMMITMENT, MADE BY THE PRIME MINISTER IN HIS WINDSOR SPEECH, WAS THAT A NEW LIBERAL GOVERNMENT WOULD HELP INDEPENDENT PARTS MANUFACTURERS TO GET THE CAPITAL THEY NEED TO RETOOL AND RE-EQUIP TO TAKE ADVANTAGE OF OPPORTUNITIES FOR INCREASED ACTIVITY MAKING THE PARTS REQUIRED IN THE NEW

DOWN-SIZED FUEL EFFICIENT CARS. WORK IS ALREADY UNDERWAY IN MY DEPARTMENT WITH A VIEW OF SETTING UP A SPECIAL INVESTMENT PANEL FOR INDEPENDENT PARTS MANUFACTURERS UNDER THE ENTERPRISE DEVELOPMENT PROGRAMME, WHICH I ADMINISTER.

HOWEVER, A MAJOR COMMITMENT IN MR. TRUDEAU'S STATEMENT, WAS THAT A NEW GOVERNMENT LED BY HIM WOULD CARRY OUT FORMAL CONSULTATIONS WITH THE UNITED STATES ABOUT THE AUTO PACT. SUCH CONSULTATIONS HAVE BEEN POSSIBLE UNDER CLAUSE 4A OF THE PACT, BUT HAD NEVER PREVIOUSLY BEEN INVOKED. ON APRIL 21ST I MET, IN OTTAWA, WITH GOVERNOR REUBEN ASKEW, SPECIAL TRADE REPRESENTATIVE OF THE UNITED STATES. AT THAT TIME, WE REACHED AGREEMENT THAT SUCH CONSULTATIONS WOULD BE HELD. THEY WILL BEGIN IN WASHINGTON ON JUNE 27TH.

OBVIOUSLY MY PURPOSE IN TAKING PART IN THESE CONSULTATIONS, AS LEADER OF THE CANADIAN DELEGATION, IS TO SEEK IMPROVEMENTS IN THE OPERATION OF THE PACT FROM THE CANADIAN POINT OF VIEW. HOWEVER, BEFORE PURSUING THAT POINT, I WANT TO LOOK BRIEFLY AT THE SITUATION OF THE CANADIAN AUTOMOTIVE INDUSTRY BEFORE THE PACT CAME INTO EXISTENCE IN 1965.

PRIOR TO THAT TIME, THE CANADIAN AUTOMOTIVE INDUSTRY WAS BASED ON SMALL PRODUCTION RUNS OF A LARGE NUMBER OF DIFFERENT MODELS. THESE CARS, AND THE PARTS FOR THEM, WERE PRODUCED ALMOST EXCLUSIVELY FOR THE CANADIAN MARKET. UNDER THESE CIRCUMSTANCES, THERE WASN'T SCOPE FOR RATIONALIZATION

WITH RESULTING EFFICIENCY AND BENEFITS FOR THE CANADIAN ECONOMY. AT THE SAME TIME, WE HAD BUILT UP A SUBSTANTIAL DEFICIT IN OUR AUTOMOTIVE TRADE WITH THE UNITED STATES. THE AUTO PACT WAS INTENDED TO REMEDY THIS SITUATION AND TO BRING ABOUT AN IMPROVEMENT IN LEVELS OF PRODUCTION, INVESTMENT AND EMPLOYMENT IN CANADA. WHAT THEN HAS HAPPENED OVER THE 15 YEAR PERIOD OF THE PACT'S OPERATION?

FIRST OF ALL, EMPLOYMENT IN THE AUTOMOTIVE ASSEMBLY SECTOR HAS RISEN FROM 34,300 TO 52,600. EMPLOYMENT IN THE PARTS SECTOR HAS RISEN FROM 30,500 TO 49,800. TOTAL PRODUCTION OF THE CANADIAN INDUSTRY, IN TERMS OF VEHICLES, HAS RISEN FROM A WHOLESALE VALUE OF \$1.5 BILLION TO \$10 BILLION, AND IN PARTS, FROM \$628 MILLION TO \$4.4 BILLION. THE TWO-WAY TRADE IN AUTOMOTIVE PRODUCTS BETWEEN CANADA AND THE UNITED STATES, HAS INCREASED SOME \$25 BILLION. OUR TOTAL EXPORTS (VEHICLES AND PARTS) HAVE INCREASED FROM \$102 MILLION TO \$11.4 BILLION. SINCE THE PACT BEGAN, A SUBSTANTIAL NUMBER OF NEW PLANTS, AND PLANT EXPANSIONS, HAVE BEEN BUILT WITH LONGER PRODUCTION RUNS AND RESULTING EFFICIENCIES. OBVIOUSLY THEN, THE PACT HAS PROVIDED SUBSTANTIAL BENEFITS TO CANADA, BUT JUST AS OBVIOUSLY, SOME PROBLEM AREAS HAVE EMERGED.

ONE OF THE MAIN PROBLEMS IS WITH RESPECT TO PARTS PRODUCTION. WHILE WE HAVE GENERALLY MAINTAINED A SURPLUS IN EXPORT OF FINISHED VEHICLES, THIS HAS NOT BEEN THE CASE WHEN IT COMES TO PRODUCTION OF PARTS, AND THE DEFICIT IN PARTS IS \$4.1 BILLION.



ALSO, THE PACT HAS NOT LED TO ANY INCREASE IN RESEARCH AND DEVELOPMENT, ENGINEERING, OR MANAGEMENT FUNCTIONS IN CANADA. IN FACT, THE TREND HAS BEEN IN THE OPPOSITE DIRECTION. (MIND YOU, ACTIVITIES OF THIS KIND IN CANADA, BEFORE THE PACT, WERE VERY LIMITED).

HOWEVER, ON BALANCE, I BELIEVE THAT THE PACT HAS BEEN BENEFICIAL TO THE CANADIAN ECONOMY.

IN ADDITION TO THESE LONGER STANDING PROBLEMS, THERE ARE OTHER DIFFICULTIES CONNECTED WITH THE CURRENT AND FUTURE ENVIRONMENT FOR THE NORTH AMERICAN AUTOMOTIVE INDUSTRY. IN THE LAST YEAR OR SO, THERE HAS BEEN A VERY RAPID SHIFT IN CONSUMER DEMAND, AWAY FROM THE LARGER TO THE SMALLER VEHICLE. THIS SHIFT HAD NOT BEEN ANTICIPATED IN A TIMELY FASHION BY THE NORTH AMERICAN MOTOR VEHICLE MANUFACTURERS, AND THEY FOUND THEMSELVES NOT FULLY PREPARED TO RESPOND QUICKLY TO THAT CHANGE IN DEMAND, LEAVING IT TO BE FILLED, AT THE PRESENT TIME TO A SUBSTANTIAL DEGREE, BY THIRD COUNTRY IMPORTS, PARTICULARLY FROM JAPAN. MANUFACTURERS IN THAT COUNTRY HAD THE PRODUCT, AND THE CAPACITY IN PLACE, TO RESPOND TO RAPIDLY CHANGING CONSUMER TASTES. ALSO, ALONG WITH THIS DECLINE IN THE DEMAND FOR THE LARGER NORTH AMERICAN CARS, A RECESSION HAS BEEN DEVELOPING IN THE UNITED STATES.

OUR CONSULTATIONS WITH THE U.S., THEREFORE, ARE NOT INTENDED TO BE A TOTAL RENEGOTIATION OF THE AUTO PACT. THIS WOULD NOT

BE ADVISABLE SINCE I DO NOT BELIEVE IT WOULD BE IN CANADA'S INTEREST TO DISTURB THOSE ASPECTS OF THE PACT THAT ARE WORKING WELL FROM CANADA'S POINT OF VIEW. ALSO, WE HAVE TO BEAR IN MIND THAT THESE CONSULTATIONS ARE BEGINNING AT A POINT IN TIME WHEN, AS I HAVE SAID, THERE IS A SERIOUS DOWN-TURN IN THE NORTH AMERICAN MOTOR VEHICLE INDUSTRY. THERE ARE SOME 30 THOUSAND PEOPLE ON LONG-TERM LAYOFF IN CANADA, BUT SOME 300 THOUSAND PEOPLE ON LONG-TERM LAYOFF IN THE UNITED STATES. THERE HAVE BEEN NUMEROUS ANNOUNCEMENTS OF PLANT CLOSINGS IN THAT COUNTRY, AND NOT ONLY ANNOUNCEMENTS ALONG THOSE LINES IN OUR OWN. IT IS ALSO AN ELECTION YEAR IN THE UNITED STATES. AS WELL, IT IS ALWAYS EASIER TO DISCUSS HOW TO SHARE ABUNDANCE DURING PERIODS OF EXPANSION, RATHER THAN HOW TO SHARE ADVERSITY DURING PERIODS OF RECESSION.

ALSO, THESE CONSULTATIONS MUST TAKE INTO ACCOUNT, AS PART OF THE ENVIRONMENT, FOR THE NORTH AMERICAN AUTOMOTIVE INDUSTRY, THE EMERGENCE OF THE SO-CALLED WORLD CAR - A CAR DESIGNED TO BE SOLD IN EVERY PART OF THE WORLD WITH PLANTS IN A NUMBER OF COUNTRIES, EACH PLANT SPECIALIZING IN A PARTICULAR COMPONENT. THE CONSULTATIONS THAT WE ARE BEGINNING WITH THE UNITED STATES IN A FEW WEEKS, WILL PROVIDE AN OPPORTUNITY TO SEE IF WE CAN DEVELOP, IF NOT A COMMON APPROACH, THEN POSSIBLY APPROACHES ALONG SIMILAR LINES, TO THE PROBLEM OF THIRD COUNTRY IMPORTS, ESPECIALLY IMPORTS FROM JAPAN. THIS IS A NORTH AMERICAN PROBLEM, AS WELL AS AN INDIVIDUAL PROBLEM AFFECTING EACH OF OUR TWO COUNTRIES.

JAPAN SELLS US ALMOST HALF A BILLION DOLLARS IN CARS AND PARTS, WHILE WE SELL THEM A LITTLE MORE THAN SIX MILLION DOLLARS WORTH OF THESE PRODUCTS. THIS IS A SITUATION WHICH, I'M SURE, THE CANADIAN PUBLIC WILL BE INCREASINGLY PRESSING THE GOVERNMENT TO DEAL WITH IN A RESTRICTIVE, PROTECTIONIST WAY, UNLESS THERE IS A POSITIVE RESPONSE FROM JAPANESE MOTOR VEHICLE MANUFACTURERS TO OUR CONCERNS.

WHEN IT COMES TO THE ESTABLISHMENT IN CANADA OF PLANTS BY THIRD COUNTRY MANUFACTURERS, CANADA HAS SEVERAL DISTINCT ADVANTAGES. NOT ONLY CAN WE OFFER ACCESS TO THE INTEGRATED NORTH AMERICAN AUTOMOTIVE MARKET, BUT WE HAVE LOWER ENERGY COSTS BASED ON THE COMMITMENT OF THE GOVERNMENT TO HAVE A "MADE IN CANADA" PRICE FOR PETROLEUM AND NATURAL GAS BASED ON OUR OWN CANADIAN COSTS AND CONDITIONS, AND NOT ON ARTIFICIAL WORLD CARTEL PRICES. WE HAVE A DOLLAR THAT IS DISCOUNTED IN COMPARISON WITH THE AMERICAN DOLLAR. ALSO, WE HAVE HIGHLY PRODUCTIVE AND EFFICIENT WORKERS.

CERTAINLY, IT WOULD BE PREFERABLE TO BE ABLE TO HAVE MORE INVESTMENT BY JAPANESE AND OTHER THIRD COUNTRY PRODUCERS OF AUTOMOTIVE PRODUCTS IN NORTH AMERICA, AS WELL AS MORE SOURCING OF PARTS BY THEM FOR THEIR WORLD SALES, RATHER THAN A PROTECTIONIST APPROACH BY CANADA BASED FOR EXAMPLE ON TARIFF OR QUOTA ACTION. THIS IS ESPECIALLY TRUE FOR CANADA, WHICH EVEN MORE THAN THE UNITED STATES, DEPENDS ON EXPORTS FOR ITS PROSPERITY, AND ONE WOULD NOT WANT TO MOVE

UNNECESSARILY INTO A SITUATION WHERE THERE COULD BE SOME RISK OF REPRISAL AGAINST OUR MAJOR EXPORT INDUSTRIES. IT IS BECAUSE I THINK IT PREFERABLE TO TRY TO HAVE A MORE POSITIVE RESPONSE, AT LEAST IN THE FIRST INSTANCE, TO THIS MATTER OF THIRD COUNTRY IMPORTS, THAT I HAVE NOT WAITED TO DISCUSS THIS MATTER AS PART OF OUR CONSULTATIONS WITH THE UNITED STATES. INSTEAD, I RAISED IT IN DISCUSSIONS WITH THE LATE PRIME MINISTER OHIRA OF JAPAN, AND HIS MINISTER OF FINANCE, IN OUR MEETINGS IN OTTAWA EARLY IN MAY. AT THAT TIME, I SAID THAT CANADA EXPECTED A FAIR SHARE OF JAPANESE AUTOMOTIVE INVESTMENT IN NORTH AMERICA, AS WELL AS MORE SOURCING OF PARTS BY JAPANESE COMPANIES IN CANADA FOR THEIR WORLD SALES. I CONTINUED MY EFFORTS BY MEETING WITH THE JAPANESE AMBASSADOR TO ASK, ON BEHALF OF CANADA, THAT CANADIAN INTERESTS BE TAKEN INTO ACCOUNT IN ANY SUCH ACTIVITY BY JAPANESE COMPANIES. ALSO, I WILL BE GOING TO JAPAN TO CARRY ON DISCUSSIONS WITH THE HEADS OF THE JAPANESE MOTOR VEHICLE MANUFACTURERS, AND WITH SENIOR OFFICIALS OF THE NEW JAPANESE GOVERNMENT AS SOON AS THEIR PENDING ELECTION IS OUT OF THE WAY, AND THE NEW CABINET IS FORMED. THIS WON'T BE UNTIL THE END OF JULY. I SHOULD ADD, THAT WE ARE WORKING ACTIVELY TO HAVE OTHER OFF-SHORE MOTOR VEHICLE MANUFACTURERS ESTABLISH THEMSELVES, OR CARRY OUT GREATER SOURCING OF PARTS, IN CANADA FOR WORLD SALES.

I LOOK FORWARD TO THIS SEMINAR TODAY AS BEING A FURTHER SOURCE OF IDEAS AND INPUT IN MY FINAL PREPARATIONS FOR THE CONSULTATIONS WITH THE U.S. AND FOR MY DISCUSSIONS IN JAPAN. I



EXPECT THAT THE MEETING FOR CONSULTATIONS WITH THE UNITED STATES IN WASHINGTON ON THE 27TH WILL BE THE FIRST IN A SERIES OF MEETINGS. ONE SHOULD NOT EXPECT ANY IMMEDIATE OR EASY RESOLUTION OF THE CONCERNS WE HAVE ABOUT THE AUTO PACT FOR THE CANADIAN AUTOMOTIVE INDUSTRY. ONE SHOULD BEAR IN MIND, ALL THE FACTORS I HAVE MENTIONED IN ASSESSING HOW QUICKLY ONE CAN EXPECT TO COME UP WITH MODIFICATIONS THAT WILL BE SATISFACTORY NOT ONLY FROM THE CANADIAN POINT OF VIEW, BUT ALSO FROM THAT OF OUR AMERICAN NEIGHBOURS. ALSO, I AM SURE THAT YOU DON'T EXPECT ME TO PUBLICLY STATE OUR NEGOTIATING STRATEGY BEFORE THE CONSULTATIONS BEGIN. OF COURSE, I WILL BE WORKING TO HAVE DECISIONS RESPONDING TO CANADIAN CONCERNS AS QUICKLY AS MAY BE PRACTICABLE IN THE CIRCUMSTANCES. HOWEVER, WE WILL BEGIN THE CONSULTATIONS KNOWING, AS OUR AMERICAN FRIENDS DO, THAT CANADA PROVIDES A VERY IMPORTANT MARKET FOR CARS AND PARTS PRODUCED IN THE UNITED STATES, THE MOST IMPORTANT IT HAS AND AS A MATTER OF FACT, ONE ON WHICH THOUSANDS OF JOBS DEPEND IN THAT COUNTRY. ALSO, IT IS IMPORTANT, AND VALUABLE, TO THE NORTH AMERICAN VEHICLE MANUFACTURERS TO HAVE CONTINUED ACCESS TO THE EFFICIENT AND PRODUCTIVE AUTOMOTIVE PLANTS IN CANADA.

THEREFORE, IN SPEAKING ABOUT THE NORTH AMERICAN AUTOMOTIVE INDUSTRY AND ITS FUTURE, WHILE THE PRESENT SITUATION IS ONE FROUGHT WITH MANY PROBLEMS AND DIFFICULTIES, IN MY VIEW, IT ALSO IS ONE WHICH OFFERS GREAT OPPORTUNITIES. I SAY THIS BECAUSE I BELIEVE THAT THE AUTOMOBILE WILL CONTINUE TO BE A VERY



INTEGRAL PART OF NORTH AMERICAN LIFE AND CULTURE FOR MANY GENERATIONS TO COME. OF COURSE, IT WILL BE VERY DIFFERENT FROM THE ONE WE SEE NOW ON OUR STREETS AND HIGHWAYS. BUT THE NORTH AMERICAN INDUSTRY IS PRESENTLY RESPONDING TO THESE CIRCUMSTANCES IN WAYS WHICH WILL ENABLE THE KINDS OF CARS WHICH WILL BE IN DEMAND IN FUTURE YEARS TO BE READILY AVAILABLE TO NORTH AMERICAN CUSTOMERS. OUR BASIC APPROACH TO WHAT WE ARE SEEKING IN OUR DISCUSSIONS WITH THE UNITED STATES ON THE AUTO PACT, AND WITH THIRD COUNTRIES AS WELL, WAS STATED IN PRIME MINISTER TRUDEAU'S SPEECH HERE IN WINDSOR, WHICH I MENTIONED AT THE BEGINNING OF MY REMARKS - AND THAT IS "A FAIR SHARE FOR CANADA" FOR CANADIAN WORKERS AND THE CANADIAN ECONOMY.

STATEMENT BY THE  
HONOURABLE HERB GRAY  
MINISTER OF INDUSTRY, TRADE AND COMMERCE

GOVERNMENT OF CANADA'S PROGRAM  
REGARDING FINANCIAL ASSISTANCE FOR  
THE CONSTRUCTION OF TRADE AND CONVENTION CENTRES  
AND, IN PARTICULAR, FOR  
THE TRADE AND CONVENTION CENTRE FOR METROPOLITAN TORONTO

TORONTO, JUNE 16, 1980



I WISH TO ANNOUNCE THAT, AFTER SEVERAL MONTHS OF REVIEW, THE FEDERAL GOVERNMENT HAS DEVELOPED A PROGRAM WHICH WILL PROVIDE AN ONGOING BASIS FOR FEDERAL ASSISTANCE FOR THE CONSTRUCTION OF TRADE AND CONVENTION CENTRES IN CANADA.

THE PROGRAM IS DESIGNED TO ASSIST THOSE CENTRES WHICH HAVE BEEN SHOWN TO OFFER SIGNIFICANT NATIONAL AND REGIONAL ECONOMIC BENEFITS. HOWEVER, AT THE SAME TIME, THE PROGRAM IS BASED ON PRINCIPLES WHICH REFLECT THE GOVERNMENT'S COMMITMENT TO KEEP ITS EXPENDITURES UNDER FIRM CONTROL. THE CABINET WILL THEREFORE EVALUATE EACH APPLICATION FOR FEDERAL ASSISTANCE ON ITS OWN MERITS, IN THE LIGHT OF THE FOLLOWING FIVE PRINCIPLES:

- (1) FEDERAL ASSISTANCE IS LIMITED TO THE CAPITAL COSTS, INCLUDING LAND, OF TRADE AND CONVENTION CENTRES, AND IN NO CASE WILL THE FEDERAL ASSISTANCE BE USED TO COVER THE OPERATING COSTS OF THE CENTRES;
- (2) THE FEDERAL CONTRIBUTION UNDER THIS PROGRAM FOR ANY ONE CENTRE IS NOT TO EXCEED 25% OF THE TOTAL ESTIMATED CAPITAL COST, INCLUDING LAND, OR THE CONTRIBUTION OF THE PROVINCIAL GOVERNMENT, WHICHEVER IS LESS;
- (3) IN ANY ONE YEAR, TOTAL FEDERAL ASSISTANCE UNDER THIS PROGRAM IS LIMITED TO A MAXIMUM OF \$15 MILLION, INCLUDING LAND;

- (4) THIS FEDERAL GOVERNMENT INITIATIVE IS NOT TO COVER ANY COST OVERRUNS; AND
- (5) FEDERAL SUPPORT IS LIMITED TO THOSE CENTRES WHICH HAVE BEEN SHOWN TO BE ECONOMICALLY VIABLE. SELECTION OF QUALIFYING TRADE AND CONVENTION CENTRES WILL REFLECT THE PRIORITIES OF REGIONAL REQUIREMENTS AND OPPORTUNITIES.

IN ACCORDANCE WITH THIS PROGRAM, I AM PLEASED TO ANNOUNCE THAT THE CABINET HAS APPROVED FEDERAL FINANCIAL ASSISTANCE FOR TRADE AND CONVENTION CENTRES IN TORONTO AND MONTREAL.

IN TORONTO, THE FEDERAL GOVERNMENT WILL PROVIDE 25% OF THE TOTAL ESTIMATED CAPITAL COST, INCLUDING LAND, OF A NEW CENTRE, UP TO A MAXIMUM OF \$19 MILLION, DEPENDING ON THE SITE SELECTED; OR THE CONTRIBUTION OF THE PROVINCIAL GOVERNMENT, WHICHEVER IS LESS. THE FEDERAL CONTRIBUTION WILL BE SPREAD OVER SEVERAL YEARS.

IN MONTREAL, THE GOVERNMENT IS CONTRIBUTING 25% OF THE ESTIMATED CAPITAL COST OF THE PROPOSED CONVENTION CENTRE. MY COLLEAGUES, CHARLES LAPOINTE, MINISTER OF STATE FOR SMALL BUSINESS, AND PIERRE DE BANE, MINISTER OF REGIONAL ECONOMIC EXPANSION, ARE ALSO ANNOUNCING THE FEDERAL CONTRIBUTION TO THE MONTREAL CONVENTION CENTRE TODAY IN MONTREAL.



OTHER APPLICATIONS FOR ASSISTANCE UNDER THIS PROGRAM ARE BEING RECEIVED FROM A NUMBER OF OTHER CANADIAN CENTRES, INCLUDING FOR EXAMPLE HAMILTON. THE CABINET WILL CONSIDER EACH APPLICATION IN THE LIGHT OF THE PROGRAM AND THE AVAILABILITY OF FUNDS. I SHOULD NOTE THAT THIS PROGRAM DOES NOT PRECLUDE DREE FROM PROVIDING ADDITIONAL FUNDING WHERE THIS IS AUTHORIZED UNDER GENERAL DEVELOPMENT AGREEMENTS.

IT IS ESTIMATED THAT THERE WERE 3,475 CONVENTIONS IN CANADA LAST YEAR, ATTRACTING SOME 1.4 MILLION DELEGATES, AND GENERATING APPROXIMATELY \$369 MILLION IN REVENUE. THE FEDERAL GOVERNMENT HOPES THIS PROGRAM WILL INITIALLY ASSIST THOSE CITIES ALREADY IN COMPETITIVE POSITIONS TO EXPAND THIS BUSINESS. CANADA'S SHARE OF THE MULTI-BILLION DOLLAR INTERNATIONAL TRADE AND CONVENTION MARKET IS ESTIMATED AT LESS THAN ONE PER CENT. THE CONSTRUCTION OF WORLD-SCALE FACILITIES IN CENTRES OF INTERNATIONAL IMPORTANCE SUCH AS TORONTO AND MONTREAL IS AN ESSENTIAL PREREQUISITE FOR IMPROVEMENT OF CANADA'S PENETRATION OF THIS MARKET.

ACCORDING TO SEVERAL INDEPENDENT STUDIES, SOME OF THE BENEFITS TO BE DERIVED FROM THE CONSTRUCTION OF A WORLD-SCALE TRADE AND CONVENTION CENTRE IN TORONTO INCLUDE:

- 10 - 12,000 NEW VISITORS TO TORONTO (MOSTLY FROM THE UNITED STATES) 34 WEEKS OUT OF EVERY YEAR;

- THE GENERATION OF AN EXTRA \$80 MILLION OF DELEGATE AND CONSUMER SPENDING ANNUALLY;
- THE CREATION OF APPROXIMATELY 2,500 JOBS DURING THE CONSTRUCTION PERIOD;AND
- THE CREATION OF 10 - 12,000 PERMANENT NEW JOBS.

I AM THEREFORE ESPECIALLY PLEASED TO BE HERE TODAY WITH MY CABINET COLLEAGUES AND LIBERAL MEMBERS FROM TORONTO TO ANNOUNCE THIS IMPORTANT NEW PROGRAM.



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MONICA SIIG (995-1333)

IMMEDIATE

Subject / Sujet

ADDRESS BY THE HON. ED LUMLEY TO THE CLUB DE INDUSTRIALAS

T 6/80S

ADDRESS BY THE  
HONOURABLE ED LUMLEY  
MINISTER OF STATE FOR TRADE  
TO THE  
CLUB DE INDUSTRIALES

MEXICO CITY  
JUNE 19, 1980

(1 JUL 7 1980)



Canadians were honoured by the visit of your President to our country last month. It marks the beginning of a new era in our economic relations. From my perspective, the highlight of the three days was the signing of the agreement on industrial and energy cooperation. Perhaps too much has been said about energy. I see industrial cooperation as most important. We are honoured to be selected as one of the five countries who will participate in your industrial development and just two weeks after the signing, I am here with a top level business mission to follow up on the priorities identified by your President. We are also anxious to move quickly in fulfillment of our obligations under the agreement.

We had very fruitful meetings with various ministers who accompanied the President. This contributed to developing and strengthening the personal rapport between the Prime Minister and the President and between ministers of the two countries. High level contacts and friendship are important in the relations between us. This marks the success of such a visit. We began what we expect will be a continuing and valuable dialogue.

I have brought a group of leading Canadian businessmen to spend this week in Mexico: we are here to respond to your President's and ministers' interest in Canadian participation in investment, transfer of technology and joint ventures relating to specific projects and areas such as mining, transportation, energy development and power generation, telecommunications including satellite communications, fisheries, forestry, agro-industry and nuclear energy. These are areas where Canada has innatly demonstrated expertise, and where we offer you our partnership. We are now here to specifically identify projects which now have the highest priority in your global development plan. On Tuesday we called on your Secretary of Patrimony and Industrial Development, the Secretary of Agriculture and Hydraulic Resources, the Head of your Fisheries Department and the Under-Secretary of Communications and Transport.



Yesterday I met with the Secretary of Tourism. We signed a memo of understanding which will strengthen our cooperation in one of your vital industries -- tourism. I am a great believer in promoting people to people contact to deepen our mutual understanding and friendship. This agreement should enhance our long standing relationship in this regard.

Just a few hours ago, we visited your Secretary of Commerce, to follow-up on your President's priority to assure adequate food supplies in the immediate and short term. We discussed possibilities of Canada supplying rapeseed, wheat and skim milk powder. Our officials will be meeting shortly to see what can be done. Let me assure you that Canada will try its best to accommodate your requirements. We also agreed on the importance of intensifying our cooperation in trade. To this end our senior trade officials will meet in Ottawa next September. This dialogue will augur well for our growing trade relationship.

Tomorrow Secretary Oteyza and I will call on the President to let him know of what we have been able to accomplish this week and discuss our future program of activities.

We have also had very detailed discussions with the Presidents of important state agencies and with prominent businessmen.

I know I speak for all the members of our mission when I say how much we truly appreciate the warm welcome we received everywhere and what is more encouraging for me and the members of my mission is the sincere readiness and enthusiasm we found to do more business with Canada.

Yesterday I was in Monterrey and met with the top management of the Alfa Group. I was happy to witness the signing of a multi-million dollar joint venture between one of our leading high technology industries, Northern Telecom of Canada, with the Alfa Group for the manufacture of computerized office phone equipment. I take great pride in the fact that this is a fully Canadian owned and developed technology which we are glad to be able to share with you.

Canada and Mexico share much in common. We share the same aspirations...to honour our heritage; to strengthen our economy; and to enhance the lives of our people.

And we share similar challenges...to seek out our rich resources, to use them to develop a mature economy; and put them to work to benefit all our people.

From the very beginning, Canadians have learned to clear out land and to grow much of our own food.

We have developed new, productive crops and we have increased the productivity of our farmland. Today we feed not only ourselves but many peoples of the world.

We have learned to manage our extensive forest resources and today we manufacture much of the world's paper.

We have a fully developed mining industry with some of the most modern, efficient mining methods and equipment in the world.

To get our products to market at home and around the world, and to tie our country together, we had to conquer some of the most difficult climatic and geographical conditions anywhere. We had to build our seaports and canals our railways and highways, our airports and navigation systems.

We turned the St. Lawrence River and the five Great Lakes into a vast interior seaway for ocean going ships. We built two railways, each stretching five thousand kilometers across Canada and right through the Rocky Mountains.

We produce vast quantities of electrical power from hydro, coal, oil and nuclear sources.

Our nuclear power plants are the safest and most efficient in the world, and do not depend on any outside fuel source. The CANDU system is completely Canadian. For these and other appropriate reasons we hope that your Government will select our CANDU system for Mexico's nuclear program.

Tomorrow I will be calling on the President of the (CFE) Comision Federale de Electricidad and his team of experts, with Mr. Donnelly, the President of Atomic Energy of Canada (AECL), where he will formally present a study on the suitability of the CANDU to Mexico's needs. AECL is jointly working with the CFE on this study and I trust they will find the results compelling. Without our extensive and advanced telecommunications networks, it would be impossible for Canada to carry on as a nation from day to day.

Furthermore, we have brought together the engineers, the bankers, the builders, the manufacturers and the project managers to do all this...and we are still doing it.

Experts from around the world recognize Canadian competence in these fields.

Some of the organizations responsible for our achievements are represented here this afternoon. They have come to meet you and to see how Canadian and Mexican enterprises might work together in meeting the challenges of tomorrow.

This is our prompt response to the new agreement for industrial and energy cooperation, signed in the presence of President Lopez Portillo and Prime Minister Trudeau in Ottawa only three weeks ago.

Our new agreement has already strengthened the ties between us in areas of fundamental importance to us both.

The agreement is designed to launch us into the immediate ongoing process of relating our mutual needs and capabilities. It is in a broad sense a joint venture between countries. It is a long term commitment to develop more fruitful cooperation in the fields of energy, industrial development and trade, with opportunities.

Of course, primary responsibility for achieving progress under this agreement lies not with Government but with business communities of both countries. Government will work, in a sense,

behind the scene. We will monitor carefully progress under the agreement and be available to help the cooperative process.

We propose to support fully the efforts of the Canadian business community to establish a stronger, more identifiable presence in Mexico. We will support joint ventures, transfers of technology, investments, sales of goods and services and financing.

As tangible evidence of the Canadian government's interest in facilitating trade with Mexico in capital goods an agreement was signed recently between our Export Development Corporation and the Mexican state financial institution (Nafinsa) for a line of credit worth \$500 million. Three Canadian banks have also signed lines of credit agreements totalling \$500 million. This brings the Canadian financial participation in Mexico's economic development to over \$4 billion.

From the longer term perspective however was the establishment by Nafinsa and the Bank of Montreal of a joint venture investment trust fund. With the support of these two organizations Mexican and Canadian entrepreneurs will have the opportunity to explore new and challenging avenues of profitable cooperation. Your President and I witnessed the signature of these financial arrangements in Toronto at the conclusion of his visit to Canada.

So, Ladies and Gentlemen, I have convinced you that Canada has a deep commitment to Mexico and the future of Mexico.

We want to be your partners, as you set out to achieve the admirable goals which you have set for yourselves.







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Contact/Liaison

PHILIPPE CLEMENT (996-1880)

For release/Pour publication

IMMEDIATE

Subject/Sujet

ASSOCIATION OF CANADIAN FINANCIAL CORPORATION

IT&C 12/80S

NOTES FOR A SPEECH

BY

THE HONOURABLE HERB GRAY, P.C., M.P.

MINISTER OF INDUSTRY, TRADE AND COMMERCE

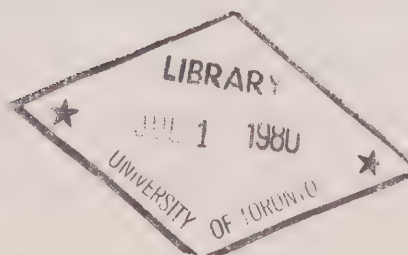
TO

THE ANNUAL CONVENTION OF THE

ASSOCIATION OF CANADIAN FINANCIAL CORPORATIONS

SKYLINE HOTEL, OTTAWA, ONTARIO

FRIDAY, JUNE 20, 1980



CHECK AGAINST DELIVERY



I AM VERY PLEASED, AS MINISTER OF INDUSTRY, TRADE AND COMMERCE, TO ADDRESS THIS ANNUAL MEETING OF THE ASSOCIATION OF CANADIAN FINANCIAL CORPORATIONS. THERE IS, OF COURSE, A VERY OBVIOUS LINK BETWEEN THE MANDATE AND ACTIVITIES OF MY DEPARTMENT AND THE PERFORMANCE OF THE FINANCIAL COMMUNITY IN CANADA. VERY BROADLY, WE HAVE A MUTUALITY OF INTERESTS IN SEEING TO IT THAT THE INDUSTRIAL BASE IN CANADA IS STRONG, THAT IT IS COMPETITIVE IN DOMESTIC AND INTERNATIONAL MARKETS, THAT IT IS ABLE TO MEET THE CHALLENGES AND SEIZE THE OPPORTUNITIES WHICH ARE OPENING UP AT HOME AND ABROAD. OF COURSE, YOU, AS SIGNIFICANT PLAYERS IN CANADA'S FINANCIAL INDUSTRY AND MY DEPARTMENT OR, MORE GENERALLY, THE FEDERAL GOVERNMENT HAVE DIFFERENT ROLES TO PLAY IN MAKING THESE THINGS HAPPEN. BUT, AT THE SAME TIME, WE BOTH HAVE A CLEAR STAKE IN COMMUNICATING, IN UNDERSTANDING EACH OTHER AND ULTIMATELY IN ENSURING THAT OUR RESPECTIVE ACTIVITIES ARE COMPLEMENTARY IN PROMOTING CANADA'S OVERALL ECONOMIC WELL-BEING.

I KNOW THAT I DO NOT HAVE TO SPEND A LOT OF TIME TELLING THIS AUDIENCE THAT WE ARE IN A TIME OF ECONOMIC UNCERTAINTY. WITHIN THE PAST YEAR, INTEREST RATES CLIMBED TO VERY HIGH LEVELS: HAPPILY, THOSE RATES HAVE

BEEN COMING DOWN IN RECENT WEEKS -- THE BANK OF CANADA RATE IS IN FACT NOW LOWER THAN AT ANY TIME SINCE MARCH, 1979 -- BUT THEY ARE STILL VERY HIGH. AS WELL, CANADA, LIKE ALL OTHER COUNTRIES, HAS HAD TO COPE WITH THE CONSEQUENCES OF GREAT INSTABILITY IN THE INTERNATIONAL PETROLEUM MARKET AND ALTHOUGH BY COMPARISON WITH MOST OTHER NATIONALS OUR OWN ENERGY RESOURCES ARE RELATIVELY RICH, WE HAVE HAD TO AND WILL HAVE TO FURTHER ADJUST TO UNPRECEDENTED INCREASES IN THE COST OF DEVELOPING OUR ENERGY RESOURCES -- THIS ALTHOUGH WE REMAIN COMMITTED TO A MADE-IN-CANADA OIL PRICE THAT WILL BRING OUR CANADIAN PRICE BELOW WORLD PRICES AND RETAIN A COMPARATIVE ADVANTAGE FOR OUR INDUSTRIES. WE HAVE ALSO BEEN BUFFETED BY INFLATION AND SLOW ECONOMIC GROWTH, AND UNEMPLOYMENT IS HIGHER THAN ANYONE WANTS. THESE PROBLEMS, AS YOU KNOW, WILL BE WITH US FOR AWHILE YET. NONE OF THEM IS SUBJECT TO QUICK AND EASY SOLUTIONS.

EMERGING FROM THE UNCERTAINTY AND OTHER DIFFICULTIES, THAT CHARACTERIZE CURRENT ECONOMIC CIRCUMSTANCES WILL, IN MY VIEW, REQUIRE MAJOR AND, IN MANY RESPECTS, CO-OPERATIVE EFFORTS FROM GOVERNMENT AND THE CANADIAN BUSINESS COMMUNITY.

AND A CRITICAL ASPECT OF THESE EFFORTS WILL BE THE EXTENT TO WHICH WE APPLY THEM IN AN INNOVATIVE MANNER, THAT WE ARE PREPARED TO ADDRESS NEW PROBLEMS WITH NEW APPROACHES. IN THE WORLD OF THE 1980s -- A WORLD OF FIERCE INTERNATIONAL COMPETITION, OF HEIGHTENED INVESTMENT RISKS AND OF THE EMERGENCE OF SIGNIFICANT NEW INDUSTRIAL DEVELOPMENT IMPERATIVES IN, FOR EXAMPLE, THE HIGH TECHNOLOGY AND RESOURCE FIELDS -- IN THIS WORLD MANY OF THE TRADITIONAL POLICIES AND PRACTICES OF GOVERNMENT AND BUSINESS ALIKE ARE CLEARLY NO LONGER ADEQUATE.

IT WAS THIS PERCEPTION WHICH LED TO THE COMMITMENTS ON INDUSTRIAL AND ECONOMIC POLICY WHICH LIBERALS MADE DURING THE ELECTION CAMPAIGN LAST WINTER.

AND IT WAS THIS PERCEPTION WHICH LED TO THE PARTICULAR EMPHASIS IN THE SPEECH FROM THE THRONE ON CANADA'S NEED FOR A NEW NATIONAL INDUSTRIAL DEVELOPMENT STRATEGY. I WOULD LIKE TO QUOTE FROM THAT SPEECH -- IT COMMITTED THE NEW LIBERAL GOVERNMENT " TO DEVELOP ECONOMIC POLICIES THAT WILL PROVIDE JOBS, SPUR GROWTH, IMPROVE REGIONAL BALANCE, AND PROMOTE CANADIAN OWNERSHIP AND CONTROL OF THE ECONOMY".



THE KEY ORIENTATIONS OF THE FEDERAL GOVERNMENT'S INDUSTRIAL DEVELOPMENT POLICY WERE SPELLED OUT DURING THE ELECTION CAMPAIGN BY PRIME MINISTER TRUDEAU, AND I WOULD LIKE TO RUN THROUGH THEM VERY BRIEFLY. IN REVITALIZING AND STRENGTHENING OUR INDUSTRIAL CAPACITY, THIS GOVERNMENT IS COMMITTED TO:

1. CAPITALIZE ON OUR ENERGY BASE TO BUILD AN INDUSTRIAL SECTOR THAT IS COMPETITIVE WORLD-WIDE;
2. ENSURE THAT THE FEDERAL GOVERNMENT IS AN ACTIVE PLAYER IN INDUSTRIAL DEVELOPMENT, NOT JUST A PASSIVE BYSTANDER;
3. STRENGTHEN OUR RESEARCH AND TECHNOLOGY CAPACITY;
4. ENCOURAGE INDEPENDENT CANADIAN-OWNED ENTERPRISE;  
AND
5. EXPAND CANADIAN CONTROL OF THE ECONOMY AND AT THE SAME TIME INCREASE THE BENEFITS TO CANADIANS FROM THE FOREIGN INVESTMENT THAT IS ALREADY HERE.

OF THESE FIVE ITEMS, THERE IS, I BELIEVE, ONE WHICH PROVIDES THE FRAMEWORK FOR ALL THE OTHERS; IT IS THE SECOND, THAT IS, ENSURING THAT THE FEDERAL GOVERNMENT IS AN ACTIVE PLAYER IN INDUSTRIAL DEVELOPMENT, NOT JUST A PASSIVE BYSTANDER. OUR WHOLE APPROACH TO NATIONAL ECONOMIC DEVELOPMENT IS ACTIVIST. IN OTHER WORDS, WE ARE AS A GOVERNMENT COMMITTED TO BEING INVOLVED DIRECTLY AND ENERGETICALLY IN THE CREATION OF CANADA'S ECONOMIC FUTURE AND, FURTHERMORE, TO ENSURING THAT ALL CANADIANS BENEFIT FROM THE EXPLOITATION OF THE COUNTRY'S STRENGTHS AND FROM THE REALIZATION OF OUR ECONOMIC POTENTIAL.

NOW I REALIZE THAT WHENEVER GOVERNMENTS TALK ABOUT PLAYING AN ACTIVIST ROLE IN THE ECONOMY, THERE ARE INEVITABLY SOME WHO OBJECT, SEEING IT AS A PLAN TO "MEDDLE" IN THE AFFAIRS OF THE PRIVATE SECTOR. LET ME RESPOND TO THAT VIEW. MY IMMEDIATE REACTION IS THAT IT IS, ESPECIALLY IN TODAY'S WORLD, UNREALISTIC. FOR ONE THING, IT IGNORES THE FACT THAT ONE OF THE ESSENTIAL FUNCTIONS OF GOVERNMENT IS TO SET A LEGAL AND ECONOMIC FRAMEWORK WHICH PERMITS BUSINESS AND OTHER GROUPS IN THE ECONOMY TO OPERATE -- AND TO PROSPER -- WITH THE REASONABLE EXPECTATION OF FAIR AND HONEST

TREATMENT IN THE MARKETPLACE. GOVERNMENT ENABLES THAT FRAMEWORK  
TO BRING ABOUT A GENERAL ECONOMIC ENVIRONMENT OF STABILITY AS WELL  
AS COHERENCE // IN THE GENERAL ECONOMIC ENVIRONMENT. BUT THIS IS NOT ALL.  
FOR IT SHOULD BE OBVIOUS THAT THE ATTITUDE THAT "BUSINESS IS  
BUSINESS AND GOVERNMENT IS GOVERNMENT AND NEVER THE TWAIN  
SHALL MEET" IS WHOLLY OUT OF KEEPING WITH THE STRONG  
REQUIREMENT FOR COMPLEMENTARITY AND COOPERATION BETWEEN  
GOVERNMENT AND BUSINESS IN MEETING THE NEW ECONOMIC  
CHALLENGES. AND IT IS ALSO INCONSISTENT WITH ATTITUDES  
IN MOST OF OUR MAJOR TRADING PARTNERS WHERE ACTIVIST  
GOVERNMENTS HAVE OFTEN BEEN THE FORCE BEHIND SOME VERY  
STUNNING INDUSTRIAL DEVELOPMENT ACHIEVEMENTS. THE TIME  
HAS COME, WE BELIEVE, FOR CANADA TO LEARN FROM THE EXAMPLES  
OF OTHERS' SUCCESSES -- WHICH MEANS, AMONG OTHER THINGS,  
THAT FOR CANADIAN GOVERNMENTS THERE IS A NEW RESPONSIBILITY  
FOR PROMOTING AND SUPPORTING OPTIMAL DEVELOPMENT AND  
UTILIZATION OF THE COUNTRY'S HUMAN, NATURAL AND CAPITAL  
RESOURCES.

PROBABLY AS MUCH AS IF NOT MORE THAN ANY OTHER SECTOR, THE  
FINANCIAL INDUSTRY IS IN TOUCH WITH GOVERNMENT. YOUR  
INDUSTRY IS CLOSELY REGULATED BY BOTH THE FEDERAL AND  
PROVINCIAL GOVERNMENTS. YOU ARE WELL AWARE OF THIS AND

NO DOUBT THERE ARE TIMES WHEN YOU RUE ALL THE REGULATIONS AND THE RESTRICTIONS ON YOUR OPERATIONS THAT THEY IMPLY. BUT, AT THE SAME TIME, I AM SURE YOU UNDERSTAND THE NEED FOR CLOSE GOVERNMENT OVERSIGHT OF THE FINANCIAL INDUSTRY. AFTER ALL, THE ACTIVITIES OF YOUR SECTOR ARE INEXTRICABLY BOUND UP WITH THE SOUNDNESS AND WELL-BEING OF THE NATION'S ECONOMY.

THE INTEREST OF THE FINANCIAL COMMUNITY IN GOVERNMENT AND GOVERNMENT POLICIES DOES NOT, OF COURSE, STOP AT THE REGULATORY VEHICLES SPECIFIC TO YOUR INDUSTRY. A VERY GREAT DEAL OF WHAT WE DO IMPACTS ON WHAT YOU DO AND WHAT YOU CAN DO. FOR INSTANCE, AS BOTH BORROWERS AND LENDERS OF MONEY, YOU HAVE AN IMPORTANT STAKE IN THE BROADEST AND MOST CENTRAL OF ALL GOVERNMENT POLICIES -- THOSE AFFECTING THE FISCAL FRAMEWORK OF THE GOVERNMENT, THE RATE OF GROWTH OF THE MONEY SUPPLY AND INTEREST RATES. IN CONNECTION WITH THE LATTER POLICY AREAS, THE GOVERNMENT'S APPROACH IS ONE WHICH IS PRAGMATIC AND FLEXIBLE.

THUS, WE WANT TO CONTROL THE FEDERAL DEFICIT YES, BUT NOT TO THE EXCLUSION OF OUR SOCIAL PROGRAMMES, OR

THE NEED TO SUPPORT INDUSTRIAL DEVELOPMENT THROUGHOUT CANADA. I THINK OUR MINISTER OF FINANCE HAS ALREADY DEMONSTRATED THE NEW GOVERNMENT'S READINESS TO USE NEW APPROACHES IN SUPPORTING THE POLICY OF THE BANK OF CANADA ON THE FLOATING BANK RATE -- WITH RESULTS THAT SHOULD BE PLEASING TO ALL CANADIANS.

NOW I DON'T SUPPOSE THAT IT ESCAPES ANYONE IN THIS AUDIENCE THAT THE FINANCIAL COMMUNITY IS ALSO BOTH A DIRECT AND INDIRECT BENEFICIARY OF GOVERNMENT INDUSTRIAL DEVELOPMENT POLICIES AND PROGRAMMES. INsofar AS GOVERNMENT POLICY CAN STRENGTHEN THE INDUSTRIAL BASE OF CANADA, SO WILL YOU FIND INCREASED OPPORTUNITIES TO PROSPER. MOREOVER, FOR THE PARTICULAR SEGMENT OF THE FINANCIAL INDUSTRY REPRESENTED BY THE ASSOCIATION OF CANADIAN FINANCIAL CORPORATIONS -- A SEGMENT THAT DEPENDS VERY HEAVILY ON THE CONTINUED EXISTENCE OF A LARGE AND VIGOROUS SMALL BUSINESS COMMUNITY -- OUR PROGRAMMES AIMED AT THE SMALL BUSINESS SECTOR SHOULD BE MATTERS OF SPECIAL INTEREST. CONSEQUENTLY, I EXPECT YOU ARE ALL AWARE OF THE SPECIFIC POLICY INSTRUMENTS IN THIS AREA THAT ARE ADMINISTERED BY MY DEPARTMENT: OF THE SMALL BUSINESS LOANS ACT WHICH PROVIDES ACCESS TO TERM LOANS GUARANTEED BY THE FEDERAL GOVERNMENT FOR PROPRIETORS OF NEW



AND EXISTING CANADIAN SMALL BUSINESS ENTERPRISES; OF THE FEDERAL BUSINESS DEVELOPMENT BANK, WHICH PROVIDES FINANCIAL AND MANAGEMENT SERVICES TO BUSINESSES ANYWHERE IN CANADA, PARTICULARLY THOSE OF SMALL SIZE; AND OF THE ENTERPRISE DEVELOPMENT PROGRAMME DESIGNED TO ASSIST SMALLER AND MEDIUM-SIZED FIRMS OPERATING IN CANADA TO ADJUST TO THE RAPIDLY CHANGING DOMESTIC AND INTERNATIONAL ECONOMIC ENVIRONMENT AND TO AID THE IMPLEMENTATION OF SECTOR RESTRUCTURING PLANS.

ALL OF THESE PROGRAMMES WERE INSTITUTED TO RESPOND TO THE SUBSTANTIAL DEFICIENCIES THAT HAD BEEN IDENTIFIED PRIOR TO THEIR CREATION IN THE AVAILABILITY TO SMALL AND MEDIUM SIZED BUSINESS OF NEW INVESTMENT FUNDS. WE CAN QUITE JUSTLY BE PROUD OF THESE PROGRAMMES FOR, DESPITE UNDERSTANDABLE ARGUMENTS THAT MY DEPARTMENT COULD, AND SHOULD, BE DOING MORE, OUR PROGRAMMES HAVE CONTRIBUTED SIGNIFICANTLY TOWARDS IMPROVING THE FINANCING ACCESS OF A VERY IMPORTANT SEGMENT OF CANADA'S BUSINESS COMMUNITY. AND, AS YOU MAY KNOW, THEIR IMPACT HAS BEEN NOT ONLY DIRECT BUT ALSO INDIRECT THROUGH HELPING TO STIMULATE A NUMBER OF POSITIVE AND CONSTRUCTIVE CHANGES IN THE PRIVATE FINANCIAL MARKETS IN RECENT YEARS. OF COURSE, WITH THE PASSAGE OF TIME AND ALTERED CIRCUMSTANCES, COMES THE NEED FOR UPDATING ANY GOVERNMENT PROGRAMME AND THIS IS NO LESS TRUE FOR INDUSTRY, TRADE AND COMMERCE'S SMALL BUSINESS FINANCING INSTRUMENTS THAN FOR ANY OTHERS. SOME OF THE NECESSARY CHANGES ARE ALREADY BEING IMPLEMENTED IN THE AMENDMENTS TO THE SMALL BUSINESS LOANS ACT AND THE FBDB ACT THAT ARE CURRENTLY BEFORE PARLIAMENT, AND WILL RESTORE THE CAPACITY OF THESE PROGRAMMES

WHICH INFLATION HAS TENDED TO ERODE. OTHER CHANGES WILL BE INTRODUCED FOLLOWING COMPLETION OF THE SMALL BUSINESS FINANCING REVIEW WHICH MY DEPARTMENT HAS UNDERTAKEN AND EXPECTS TO HAVE COMPLETE BY EARLY 1981. IT IS AN OBJECTIVE OF THIS REVIEW, AND INDEED OF ALL THE PLANS NOW UNDERWAY TO RESTRUCTURE FEDERAL FINANCING ASSISTANCE FOR BUSINESS TO ENSURE THAT GOVERNMENT PROGRAMMES COMPLEMENT PRIVATE SECTOR INSTRUMENTS AND SO CAN PLAY A MORE EFFECTIVE ROLE IN FURTHERING OUR INDUSTRIAL DEVELOPMENT GOALS.

Now, I KNOW THAT AS CANADIANS, AND AS BUSINESSMEN, YOU CAN BE SUPPORTIVE OF NEW POLICIES AND CHANGES IN OLD POLICIES, THE WORTH OF WHICH CAN BE DEMONSTRATED TO YOU IN TERMS OF FOSTERING GROWTH AND BETTER PERFORMANCE IN CANADA'S ECONOMY AND IMPROVING THE SOCIAL AND ECONOMIC WELL-BEING OF ALL CANADIANS. AT THE SAME TIME, I AM ALSO AWARE THAT SOME, IF NOT ALL, MEMBERS OF YOUR ASSOCIATION HAVE CONCERNS ABOUT SPECIFIC ASPECTS OF MEASURES WHICH THE GOVERNMENT IS DEVELOPING OR IN THE PROCESS OF IMPLEMENTING. THE FEDERAL BUSINESS DEVELOPMENT BANK AMENDMENTS AND THE BANK ACT REVISIONS ARE TWO EXAMPLES THAT HAVE BEEN BROUGHT TO MY ATTENTION. SO I WANT TO SAY THIS TO YOU.

I BELIEVE IN THE VALUE OF SEEKING THE VIEWS AND OPINIONS OF THOSE MOST AFFECTED WHEN WE DEVISE OR UPDATE REGULATIONS AND LEGISLATION. THIS APPROACH, WHICH GIVES GOVERNMENT READY ACCESS TO A WEALTH OF EXPERIENCE AND EXPERTISE, PERMITS BETTER

POLICY-MAKING, AND IT IS ONE I WANT TO STRENGTHEN. OF COURSE, YOUR ASSOCIATION IS NO STRANGER TO MAKING YOUR VIEWS KNOWN TO GOVERNMENT DEPARTMENTS AND LEGISLATORS. FOR INSTANCE, I UNDERSTAND THAT YOU HAVE BEEN MAKING STRONG REPRESENTATIONS RELATING TO THE REVISIONS TO THE BANK ACT. YOUR CONTRIBUTION, I ASSURE YOU, IS VALUED AND LISTENED TO. THE ACT, AS PROPOSED, IS NOT WRITTEN IN STONE. IN FACT, ONE AREA UNDER ACTIVE REVIEW IS THE MATTER OF LEASING, WHICH HAS BEEN A SUBJECT OF REPRESENTATIONS FROM SEVERAL GROUPS INCLUDING YOURS AND THE INDEPENDENT AUTOMOBILE DEALERS. IT IS OPEN TO YOU AND OTHER INTERESTED PARTIES TO MAKE YOUR VIEWS KNOWN AS FORCEFULLY AS POSSIBLE.

WITH RESPECT TO THE AREAS WHEREIN MY DEPARTMENT IS WORKING TO DEVELOP NEW POLICIES AND WHICH ARE OF INTEREST TO YOU, I INVITE YOUR INPUT. OBVIOUSLY, YOU WILL BE PARTICULARLY INTERESTED IN THE SMALL BUSINESS FINANCING REVIEW I MENTIONED EARLIER AND THE RESULTS OF WHICH COULD BE QUITE SIGNIFICANT FOR YOUR INDUSTRY. MY OFFICIALS AND I WILL WELCOME THE OPPORTUNITY TO HEAR YOUR CONCERNS AND RECOMMENDATIONS. WE WOULD ALSO BE HAPPY TO DISCUSS WITH YOU HOW, AS PART OF THE FINANCIAL INDUSTRY, YOUR MEMBER COMPANIES CAN PARTICIPATE IN THE PROGRAMMES ADMINISTERED OR INITIATED BY THE DEPARTMENT OF INDUSTRY, TRADE AND COMMERCE IN WAYS THAT WOULD BROADEN THE AVAILABILITY OF COMPETITIVE FINANCING FOR THE SMALL BUSINESS SECTOR.

THE GOALS THAT THE FEDERAL GOVERNMENT HAS SET FOR CANADA'S ECONOMIC DEVELOPMENT ARE LARGE INDEED, AND I DO NOT WISH TO MINIMIZE THE TASKS THAT LIE AHEAD. YET, WE INTEND TO

CARRY THROUGH ON OUR COMMITMENTS. AT THE SAME TIME, WE CANNOT AND DO NOT INTEND TO ACT ENTIRELY BY OURSELVES. WE WANT OUR EFFORTS TO BE STRENGTHENED THROUGH CO-OPERATION -- WITH THE BUSINESS COMMUNITY, THE PUBLIC AT LARGE, AND, OF COURSE, THE PROVINCES. IN RETURN, WE WILL BE CONSULTING; WE WILL BE LISTENING; AND WE WILL CONTINUE OUR EARNEST COMMITMENT TO WORKING TOGETHER IN THE INTERESTS OF ALL CANADIANS.



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News Release

Communiqué

Industry, Trade  
and Commerce

Industrie  
et Commerce

Contact/Liaison

For release/Pour publication

Philippe Clément

996-1880

IMMEDIATE

Subject/Sujet

Address by Hon. Herb Gray

ADDRESS BY  
THE HONOURABLE HERB GRAY  
MINISTER OF INDUSTRY, TRADE AND COMMERCE  
TO THE  
JAPANESE COMMITTEE  
CANADA/JAPAN BUSINESSMENS CONFERENCE  
AT  
KEIDANREN, TOKYO  
JAPAN  
AUGUST 8, 1980







OTTAWA, August 8, 1980 -- Today I would like to talk to you about emerging developments in Canadian industrial policy and Canada's economic climate. However, let me first comment on the excellent relationship which exists between our two countries and the opportunities to expand and enhance our economic relations.

Since I became Minister of Industry, Trade and Commerce in March, I have been impressed by the dialogue which has been established both at the business level and between our two governments. This was most recently demonstrated by the late Prime Minister Ohiras' frank and open discussions in Canada with Prime Minister Trudeau and ministers of the Canadian Government. I was privileged to participate in those discussions. In that same month of May, many of Canada's business leaders visited Japan to meet with you in Kyoto at the third Canada-Japan Businessmen's Conference, a most important event. I know from my conversations with Canadian businessmen that this meeting was positive constructive and forward-looking. I want to thank you and other members of the Japanese business community for the important contribution you are making to the enhancement of Japanese-Canadian relations. I regard the Canada-Japan business cooperation committee as a vital link in enhancing our bilateral economic relationship--a relationship which I welcome and which I believe will continue to flourish and grow. As well, at the end of September in Canada there will be another meeting of the Canada-Japan joint Economic Committee at the level of officials to carry forward the dialogue.

With respect to the economic situation, the industrialized world is now experiencing a period of slow economic growth. Canada has not escaped this general downturn. The close linkage between the Canadian economy and that of the United States makes it inevitable that we are affected by developments in the U.S. economy. Nevertheless, Canada was able last year to maintain a higher rate of economic growth than the U.S.A. (2.9 percent in real terms compared to 2.3 percent) and

a lower rate of inflation (9.1 percent compared to 11.2 percent). While there is expected to be only limited real growth in the Canadian economy this year, both private and public forecasters are predicting significant growth through the 1980's.

As businessmen actively involved with Canada, I know you will be particularly interested in the direction of Canadian Economic Development Policy. The new Government of Canada elected last February indicated at the opening of Parliament that it was determined to embark on a vigorous Industrial Development Policy that would meet today's needs. We are determined to build on Canada's energy base in order to build a world-competitive industrial sector. An integral part of this policy will be to strengthen further Canada's research and technological capacity. The Government of Canada fully intends to be an active participant in shaping and setting the framework for this process. The performance of the private sector will be vital to achieving this policy objective.

I believe that we have in Canada the basis for economic growth and living standard achievements that could be the envy of the world. For success we realize this will require the willingness of Canadians in every region to work together and continue the century-old tradition of sharing; and it will require a commitment to implement a national programme to mobilize Canada's strengths, to capitalize on the economic opportunities that are opening up and to come to grips with the obstacles to optimal development of the Canadian economy. I have every confidence that we will be successful.

Along with trade, other elements of International Economic Cooperation, such as exchange of technology, joint ventures, investment flows on a mutually beneficial basis, have an important place in the achievement of our economic development objectives. We continue to be interested in Foreign Investment that is of significant benefit to Canada. The Foreign Investment Review Agency Act is designed to ensure that those categories of Foreign Investment covered by it are

in fact of significant benefit to Canada. Most countries of the world have an investment screening process of one form or another. Although the level of Foreign Ownership and Control in Canada is much higher than in any other industrialized country, our purpose in screening foreign investment is essentially no/~~ne~~ different from that of other countries who screen incoming foreign investment, including, of course, Japan. The purpose is to ensure that investment while beneficial to the investor is also of substantial benefit to the host country. The difference, if there is one, is that our actual screening process is considerably more open, and therefore, more visible, than most.

But what of the future? The Canadian Government announced in the throne speech in April that there would be a number of changes to the Foreign Investment Review Act. I can summarize for you the purposes of these proposed new measures. They are: to ensure that foreign investment adds to our ability to take full advantage of the opportunities that are opening up to Canada; to promote the development of strong Canadian-owned businesses and to ensure that multinational enterprises operate in support of Canadian industrial goals; to encourage small and large Canadian businesses to grow and become more competitive; and to ensure there is a maximum of significant benefit from the foreign-owned sector. In the context of the array of actions that will make up the Federal Government's Industrial Development Policy, these initiatives are aimed at contributing to the optimal development and utilization of Canada's human, natural and capital resources--and these are the fundamental goals for the 1980's.

Through these means, foreign firms will obtain a clearer indication of Canadian expectations and of the ways in which they can contribute to the achievement of our economic goals. Japan has shown us the benefits to be derived from a constructive dialogue between government the private sector on the nature and pursuit of



national objectives. The organization for economic cooperation and development has urged all multinational enterprises to pay close attention to the policies of the countries in which they operate, as I know firms operating in Japan already do. We want to bring about a better understanding by the multinational enterprises operating in Canada of what is expected of them and what they can do in this regard.

The new measures are not intended to frustrate or unfairly burden the many foreign firms that are currently acting as good corporate citizens and contributing to the growth and development of the Canadian economy. They are directed at improving the performance of the Canadian economy. They are not aimed to preventing new investments by non-residents that are of significant benefit to Canada. Turning again to Canada's economic prospects, energy is and will continue to be one sector with extremely dynamic development. Clearly our energy resources and their development will have a great impact on the growth of Canada's economy because they offer tremendous opportunities for the development of new industries and new technologies throughout the country. We estimate that more than 100 billion dollars will be required for planned energy projects in Canada over the next ten years, and this investment will be spread over all regions of the country. We intend to see to it that the expansion and increased processing of our natural resources especially in the energy field, will be accompanied by an expansion of manufacturing activities. Further processing of our resource exports is a Canadian objective familiar to you. I know, for example, that it was fully discussed at the Kyoto Management. In addition to this strong resource base, a favourable exchange rate, and a favourable economic and social climate, we have a secure energy base. Worldwide, the energy factor has become a crucial element in the resource processing industries. Thus, this secure energy base, in my view, would mean that carrying out more of the processing of resources in



Canada makes good economic sense. I expect that in the 1980's the trade between us will reflect this reality.

With respect to manufactured goods, industries employing more advanced technologies will play a much more significant rôle in Canada in the 1980's. We are determined to build up these industries, and others which are export-intensive, to compete effectively in the world markets of the 1980's. Therefore, Japanese firms, with their world-wide and well-deserved reputation in these areas could find potentially attractive opportunities to join with Canadians in these kinds of activities. Thus, I would expect that Japanese investment could participate in and contribute to this important dimension of Canada's development in the years ahead.

I am happy to have had this opportunity to tell you about the direction of Canadian economic development. I am also very pleased to be the first Canadian Minister to establish direct personal contact with ministers of your new government. I appreciate too the courtesy shown me by business, labour and government during my first visit to Japan. Our discussions have been positive.

It is most important that Canada and Japan maintain contact and mutual understanding. We both have much to gain from our relationship. We have developed close contacts at all levels but we need to know even more about the interests and aspirations of each other if we are to maximize these gains.

At this time of immediate economic difficulties there are dangers as well as opportunities. The situation facing the automotive sector, for example, makes it imperative that we be responsive to the sensitivities and pressures if we are to find positive and constructive ways to get through this period of adjustment. The North American automotive industry is an integrated one and therefore it is essential that Japan respond directly and

positively to Canada's concerns, as well as responding to the U.S. situation in ways that take fully into account relations with Canada.

I have left with your colleagues in the automotive industry the challenge of finding ways and means of responding in a positive way to the difficult situation faced by the North American Automotive Industry at this time. I have asked them seriously to consider direct participation in the Canadian automotive industry and substantially increasing their imports of automotive parts from Canada. I believe that working together to these ends is the preferred way to meet the urgent adjustment problems of the North American Automotive Industry. At the same time I am taking back to Canada the message that the Japanese Automotive industry is interested in doing more business with Canada, subject to Canadian producers being able to respond to market requirements competitively, especially in regard to price and quality.

In addition to the automotive question, I am using this opportunity to register with my Japanese friends a number of other areas of unfinished business such as the Japanese tariff on dressed spruce, pine and fir lumber, which is hardly reflective of fully reciprocally advantageous relations in this sector. I also expressed our interest in expanding the industrial component of our exports to Japan, especially where they are internationally competitive, such as certain areas in the fields of electronics, avionics, telecommunications, and of course, nuclear technology, that is, the CANDU.

As Canada's Minister of Industry, Trade and Commerce I am most anxious to see results in terms of higher levels of trade and economic cooperation on the mutually advantageous basis. I know you share this objective. I believe we can and must work together as two major world trading nations.

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Industry, Trade  
and Commerce

Industrie  
et Commerce

Contact/Liaison

PHILIPPE CLEMENT (996-1880)

For release/Pour publication

IMMEDIATE

Subject/Sujet

BETTER BUSINESS BUREAU OF METROPOLITAN TORONTO

IT&C 32/80s

NOTES FOR A SPEECH

BY

THE HONOURABLE HERB GRAY, P.C., M.P.

MINISTER OF INDUSTRY, TRADE AND COMMERCE

TO

THE ANNUAL DINNER OF

THE BETTER BUSINESS BUREAU OF METROPOLITAN TORONTO

BRISTOL PLACE HOTEL

TORONTO, ONTARIO

WEDNESDAY, SEPTEMBER 17, 1980 - 8:30 P.M.

CHECK AGAINST DELIVERY



IT IS A PLEASURE FOR ME TO SPEAK TO YOU THIS EVENING ESPECIALLY SINCE I CONSIDER WHAT THE BETTER BUSINESS BUREAU LOOKS ON AS ITS PRIMARY OBJECTIVE - TO STRENGTHEN CONSUMER CONFIDENCE IN THE MARKET PLACE BY KEEPING THE MARKET PLACE AS ETHICAL AS POSSIBLE - TO BE A WORTHY ONE. IN PARTICULAR, I SHOULD LIKE TO CONGRATULATE PAUL TUZ ON THE EXCELLENT WORK HE HAS DONE WITH THE BETTER BUSINESS BUREAU OF METROPOLITAN TORONTO, AND TO THANK HIM FOR EXTENDING ME THE INVITATION TO BE WITH YOU THIS EVENING.

THE DISTRIBUTION SERVICES BRANCH IS PLAYING AN INCREASINGLY ACTIVE ROLE IN THE DEPARTMENT OF INDUSTRY, TRADE AND COMMERCE. ITS RESPONSIBILITIES COVER A BROAD SPECTRUM OF SERVICE INDUSTRY ACTIVITY, INCLUDING THE DISTRIBUTION OF FOOD, GENERAL MERCHANDISE <sup>AND</sup> / PHARMACEUTICALS AT BOTH THE WHOLESALE AND RETAIL LEVELS. AS WELL, THE RAPIDLY GROWING AREAS OF FRANCHISING, TRADING HOUSES, AND WAREHOUSING, ARE IMPORTANT LINKS IN THE DISTRIBUTION SYSTEM IN BOTH DOMESTIC AND EXPORT MARKETING.

THE DISTRIBUTION SECTOR OF OUR ECONOMY IS IMPORTANT. AFTER ALL, IMPROVING PRODUCTIVITY IN MANUFACTURING AND PROCESSING IS OF LIMITED VALUE BY ITSELF IF THE RESULTING GOODS CANNOT BE BROUGHT EFFICIENTLY TO THEIR ULTIMATE CUSTOMERS, WHETHER THOSE CUSTOMERS ARE IN DOMESTIC OR FOREIGN MARKETS.



THEREFORE, ONE OF MY OBJECTIVES AS MINISTER OF INDUSTRY, TRADE AND COMMERCE, IS TO BRING ABOUT IMPROVEMENTS IN THE PRODUCTIVITY AND EFFICIENCY OF THE DISTRIBUTION SECTOR AND, OF COURSE, THESE ARE MY OBJECTIVES FOR THE ENTIRE ECONOMY.

I UNDERSTAND THAT REPRESENTED IN THE AUDIENCE TONIGHT ARE BUSINESSES WHICH TOGETHER EMPLOY APPROXIMATELY ONE MILLION CANADIANS. THEREFORE, I WANT TO RESPOND TO YOUR REQUEST TO COMMENT ON CANADA'S ECONOMIC OUTLOOK.

OUR SITUATION IN 1980, AND IN 1981, IS COMPLICATED BY THE FACT THAT THE ECONOMY OF THE U.S., OUR MAJOR CUSTOMER, HAS GONE INTO RECESSION. FOR EXAMPLE, COMPARING THE FIRST HALF OF 1980 TO THE SECOND HALF OF 1979, REAL EXPORTS DECLINED AT AN ANNUAL RATE OF 5 PER CENT (U.S. HOUSING AND AUTOMOBILE DEMAND HIT CANADIAN LUMBER AND AUTO EXPORTS AND PRODUCTION HARD).

THE OVERALL OUTLOOK FOR THE REST OF THE YEAR AND INTO 1981 INDICATES CONTINUING DIFFICULTIES. I TAKE VERY SERIOUSLY WHAT THIS PROSPECT MEANS IN HUMAN TERMS. ALMOST EVERY DAY, IN MY CAPACITY AS MINISTER OF INDUSTRY, TRADE AND COMMERCE, I SEE THE HUMAN DIMENSION THAT ACCOMPANIES SUCH AN ECONOMIC DOWNTURN.

THE FEDERAL GOVERNMENT HAS LIMITED FISCAL ROOM TO DEAL WITH THE SITUATION. GOVERNMENT REVENUES HAVE SLOWED DOWN IN RECENT YEARS, WHILE GOVERNMENT SPENDING

HAS KEPT PACE WITH CONTINUED HIGH INFLATION. AT THE SAME TIME, BUSINESS INVESTMENT, WHICH TYPICALLY LAGS BEHIND THE BUSINESS CYCLE GENERALLY, WILL PROBABLY BE SLOWING DOWN IN THE NEAR TERM, ALTHOUGH IT WILL CERTAINLY REMAIN A CONTRIBUTING FACTOR IN OVERALL GROWTH.

MY DEPARTMENT ANNUALLY CONDUCTS A SURVEY OF THE INVESTMENT ACTIVITY AND INTENTIONS OF SOME 300 LARGE COMPANIES IN CANADA. THE MOST RECENT SURVEY, IN MAY, SUGGESTED THAT THE VOLUME OF BUSINESS SPENDING ON NEW PLANT AND EQUIPMENT THIS YEAR MAY BE UP IN THE RANGE OF 5 TO 7 PER CENT. THIS COMPARES QUITE FAVOURABLY WITH THE SLUGGISH GROWTH RATE OF THE CANADIAN ECONOMY, BUT STILL REPRESENTS A DECELERATION FROM CLOSE TO 9 1/2 PER CENT INCREASE IN THIS SECTOR IN 1979. THE RECENTLY RELEASED NATIONAL ACCOUNTS REFLECT THE EMERGING WEAKNESS IN BUSINESS CAPITAL SPENDING ACTIVITY AS CURRENT CAPACITY UTILIZATION RATES REFLECT THE MUCH WEAKER DOMESTIC AND FOREIGN DEMAND. THE LEVEL OF PLANNED SPENDING ON NEW PLANT AND EQUIPMENT INDICATED BY STATISTICS CANADA IN ITS MID-1980 CAPITAL INVESTMENT SURVEY MAY NOT BE FULLY REALIZED.

HOWEVER, THE U.S. ECONOMY IS FORECAST TO RECOVER BEGINNING LATER THIS YEAR, AND ALREADY THERE ARE SIGNS IN THE U.S. THAT THE AUTO AND HOUSING MARKETS ARE TURNING AROUND. CANADIAN EXPORT ACTIVITY IS, THEREFORE, EXPECTED TO IMPROVE, ESPECIALLY IN THE NEW YEAR. INDEED, RECENT

MONTHLY DATA INDICATE THAT AUTO SALES AND HOUSING STARTS HAVE TURNED UPWARD IN THIS COUNTRY AS WELL, AND THESE SECTORS ARE TYPICALLY THE FIRST TO IMPROVE IN AN ECONOMIC RECOVERY.

DESPITE THE RECESSION IN THE U.S., OUR PRINCIPAL TRADING PARTNER, CANADA IS LIKELY TO ACHIEVE A RECORD HIGH MERCHANDISE TRADE SURPLUS FOR THE SECOND YEAR IN A ROW. THERE HAS ALSO BEEN CONTINUED PROGRESS IN REDUCING OUR DEFICIT IN THE TRAVEL ACCOUNT. IN THE FIRST HALF OF THIS YEAR, THAT DEFICIT AMOUNTED TO \$1.0 BILLION DOLLARS AT SEASONALLY-ADJUSTED ANNUAL RATES. THIS COMPARES WITH A DEFICIT OF \$1.1 BILLION IN 1979, AND \$1.7 BILLION IN 1978. BUT THE OVERALL DEFICIT IN "INVISIBLE" ITEMS, INCLUDING TOURISM AND THE OUTFLOW OF INTEREST AND DIVIDENDS, CONTINUES TO BE A SERIOUS PROBLEM AREA OF OUR BALANCE OF PAYMENTS.

THE NUMBER OF PEOPLE WORKING INCREASED, ALTHOUGH AT A SLOWER RATE THAN IN 1979. AS FAR AS I AM CONCERNED, THE RATE OF UNEMPLOYMENT CONTINUES TO BE FAR TOO HIGH, AND IS A PROBLEM REQUIRING PRIORITY ATTENTION FOR GOVERNMENT ACTION ON BOTH FEDERAL AND PROVINCIAL LEVELS - DEALING WITH IT IS CERTAINLY A PRIORITY IN MY EFFORTS AS MINISTER OF INDUSTRY, TRADE AND COMMERCE.

AT THE SAME TIME, I BELIEVE THAT THE POTENTIAL FOR THE CANADIAN ECONOMY IS VERY GOOD. WE HAVE A SECURE ENERGY BASE. IN MAINTAINING LOWER THAN WORLD ENERGY PRICES, WE GIVE

OURSELVES A COMPETITIVE EDGE IN WORLD MARKETS. WE HAVE SEEN OUR EXCHANGE RATES RESTORE OUR COMPETITIVE POSITION. AND, WE HAVE RENEWED CAPACITY IN RECENT YEARS PERMITTING ROOM FOR EXPANSION FOR THE NEAR TERM.

IN THE SECOND HALF OF OCTOBER, THE MINISTER OF FINANCE WILL PRESENT THE FIRST BUDGET OF THE NEW GOVERNMENT. IT WILL STATE THE ECONOMIC AND FISCAL POLICIES THE GOVERNMENT WILL BE PUTTING FORWARD TO DEAL WITH THE ECONOMIC SITUATION I HAVE OUTLINED. I FEEL THAT WE ARE AT A VITAL CROSSROADS FOR THE CANADIAN ECONOMY. THE OPPORTUNITIES OF THE 1980'S ARE THERE FOR US, IF WE ARE READY TO TAKE ADVANTAGE OF THEM. ON THE ONE HAND, THIS CAN BE A TIME FOR FINALLY DEALING WITH DEEP-SEATED STRUCTURAL PROBLEMS OF THE CANADIAN ECONOMY. ON THE OTHER, WE COULD SIMPLY REINFORCE THESE PROBLEMS. IN SO DOING, HOWEVER, WE WOULD FORFEIT THOSE OPPORTUNITIES OF INDUSTRIAL GROWTH AND THE RESULTING INCREASE IN JOBS AND INCOMES.

THERE ARE THOSE WHO ASK WHY THEN, AT THIS TIME OF ECONOMIC DIFFICULTY, IS THE FEDERAL GOVERNMENT CONCERNED WITH CONSTITUTIONAL REFORM, AND RENEWING THE FEDERATION? IN MY VIEW, THERE IS A DIRECT LINK BETWEEN THE SUCCESS OF THESE CONSTITUTIONAL DISCUSSIONS AND OUR ABILITY TO COMPETE SUCCESSFULLY IN THE INTERNATIONAL ECONOMIC ENVIRONMENT OF THE 1980'S AND 1990'S.

NOW, MORE THAN EVER BEFORE, CANADA MUST STRIVE TO BE A COUNTRY WITHOUT INTERNAL BARRIERS, IF WE ARE TO ENSURE THE PROSPERITY OF CANADIANS, AND SUSTAIN OUR ECONOMIC GROWTH. CHANGES ON THE INTERNATIONAL SCENE ARE FORCING US TO FACE UP TO COMPETITION FROM ECONOMIC ENTITIES FIVE TO TEN TIMES MORE POPULATED THAN OUR OWN, SUCH AS THE U.S., JAPAN, AND THE EUROPEAN ECONOMIC COMMUNITY. I HAVE NO DOUBT THAT WE CAN MEET THIS CHALLENGE IF WE WORK TOGETHER TOWARD A COMMON GOAL. I BELIEVE THAT PROVINCES SHOULD NOT BE BUILDING BARRIERS BETWEEN THEMSELVES AT THIS TIME. WE NEED A MORE EFFICIENT, MORE PRODUCTIVE ECONOMY. ONE OF THE PRE-REQUISITES IS THE LARGEST POSSIBLE DOMESTIC MARKET - ONE STRETCHING FROM ONE END OF THE COUNTRY TO THE OTHER. THIS WILL HELP GIVE US THE PRODUCTIVE BASE WE REQUIRE TO MEET COMPETITION BOTH AT HOME AND ABROAD.

IN A MORE COMPETITIVE INTERNATIONAL TRADING ENVIRONMENT, THE LAST THING THAT CANADA NEEDS IS FRAGMENTATION OF ITS OWN DOMESTIC MARKET. BUSINESS PEOPLE, LIKE YOURSELVES, KNOW ALL TOO WELL ABOUT THE KINDS OF PROBLEMS CREATED BY OVERLAPPING AND CONFLICTING JURISDICTIONS, AND THE IMPACT THAT HAS ON YOUR ACTIVITIES, AND ON CONSUMERS AS WELL. I AM CONCERNED ABOUT THIS KIND OF FRAGMENTATION, AND IN PARTICULAR, ITS EFFECT ON THE PERFORMANCE OF THE CANADIAN ECONOMY. TOO OFTEN, INEFFICIENCIES THAT LEAD TO GREATER COSTS FOR YOU AND THE CONSUMER ARE THE END RESULT OF THESE PROVINCIAL BARRIERS. I KNOW THAT MANY OF YOU, EITHER INDIVIDUALLY OR THROUGH YOUR



YOUR ASSOCIATIONS, HAVE ALREADY BEGUN TO SPEAK OUT AGAINST THESE BARRIERS. I URGE YOU TO CONTINUE TO DO SO AT THIS CRUCIAL TIME.

IN A FEDERATION LIKE CANADA, VAST AS IT IS, THERE ARE BOUND TO BE DIFFERENCES IN THE WAY THINGS ARE DONE IN EACH PROVINCE. AT THE SAME TIME, THE BENEFITS OF THE CANADIAN ECONOMIC UNION FOR ALL CANADIANS CAN ONLY BE OBTAINED IF THE DOMESTIC ECONOMY IS OPEN AND FREE-FLOWING IN ITS PRIMARY CHARACTERISTICS. WHAT IS REQUIRED IS THE SETTING-OUT OF THE BASIC "GROUND RULES" IN THE CONSTITUTION, AND THE MEANS FOR THEIR ENFORCEMENT. WITH THAT DONE, GOVERNMENTS CAN WORK TOGETHER IN THE KNOWLEDGE THAT THE CONSTITUTION ITSELF LEADS THE WAY IN PROVIDING A BROAD BASIS FOR THE FUNDAMENTAL AND REASONABLE BALANCE BETWEEN LOCAL AND NATIONAL INTERESTS IN THE OPERATION OF THE CANADIAN ECONOMIC UNION.

WITH NATIONAL LEADERSHIP, INVOLVING CO-OPERATION AND CONSULTATION, WITH BUSINESS, LABOUR AND PROVINCIAL GOVERNMENTS, WE COULD BE AT A "TAKE-OFF" POINT IN CANADIAN ECONOMIC DEVELOPMENT. SUBSTANTIAL POOLS OF CAPITAL ARE NOW ACCUMULATING IN WESTERN CANADA, AND THERE IS AN ACCELERATED DEVELOPMENT OF THAT REGION'S RESOURCE BASE. WHEREAS A CENTURY AGO TECHNOLOGICAL CHANGE - THE SHIFT FROM SAIL TO STEAM - SLOWED DOWN THE GROWTH OF THE ATLANTIC PROVINCES, IT CAN NOW SPUR THEIR ECONOMIES THROUGH THE EXPLOITATION OF RESOURCES, SUCH AS FISHERIES, AQUACULTURE, AND OFF-SHORE OIL AND NATURAL GAS. IN QUEBEC,

THE ENTREPRENEURSHIP OF NEW GENERATIONS, AND THEIR USE OF OF MODERN TECHNOLOGY, MUCH OF WHICH IS BEING DEVELOPED LOCALLY, CAN TRANSFORM THE INDUSTRIAL STRUCTURES INHERITED FROM THE FIRST CENTURY OF CANADIAN DEVELOPMENT. IN ONTARIO, INDUSTRIAL INNOVATION AND RESEARCH AND DEVELOPMENT CAN GENERATE THE NEW PRODUCTS THAT COULD MAKE ITS BUSINESSES INCREASINGLY INTERNATIONALLY COMPETITIVE.

BUT TO ACHIEVE OUR POTENTIAL, TO REACH OUR GOALS, REQUIRES AN ECONOMIC UNION, WITH THE FREE MOVEMENT OF GOODS, SERVICES, LABOUR AND CAPITAL. I BELIEVE THAT A KEY PART OF THIS IS A NATIONAL INDUSTRIAL DEVELOPMENT POLICY THAT IDENTIFIES ECONOMIC DEVELOPMENT GOALS AND PUTS IN PLACE THE INSTRUMENTS TO ACHIEVE THOSE GOALS. WE NEED TO BUILD A STRONG, WORLD COMPETITIVE MANUFACTURING SECTOR, WHICH MEANS, AMONG OTHER THINGS, ENCOURAGING INNOVATION AND INCREASED PRODUCTIVITY, GREATER PROCESSING OF RESOURCES IN CANADA, AND IMPROVING THE PERFORMANCE OF THE ENTIRE ECONOMY, WHICH MEANS PARTICULAR ATTENTION TO THE FOREIGN-CONTROLLED SECTOR, AND BUILDING MORE AND STRONGER CANADIAN-CONTROLLED FIRMS. MY EFFORTS ARE AIMED AT BRINGING NEW OPPORTUNITIES FOR ECONOMIC GROWTH TO CANADA, AND STRENGTHENING OUR CAPACITY TO TAKE ADVANTAGE OF THE OPPORTUNITIES ALREADY HERE.

IT WAS CLEAR LAST WEEK DURING THE CONSTITUTIONAL DISCUSSIONS THAT THERE ARE TWO VIEWS OF CANADA. PRIME MINISTER TRUDEAU DESCRIBED THOSE TWO VIEWS WELL IN HIS CLOSING STATEMENT ON FRIDAY. "THERE IS ONE VIEW WHICH HOLDS THAT NATIONAL CANADIAN POLICIES ON THE NATIONAL CANADIAN COMMON GOOD, THE COMMON WEAL OUGHT TO BE WHAT RESULTS FROM EACH PROVINCE ACTING INDEPENDENTLY TO MAXIMIZE ITS OWN SELF-INTEREST AND THIS IS WHY PREMIERS, NATURALLY, IF THEY HOLD THAT VIEW, DEMAND MORE AND MORE POWERS FROM OTTAWA AND REJECT ANY STRENGTHENING OF THE POWERS OF THE NATIONAL GOVERNMENT SO THAT THEY CAN PURSUE VIGOROUSLY THE MAXIMIZATION OF THE PROVINCIAL SELF-INTEREST.

THE OTHER VIEW IS THAT THERE IS A NATIONAL INTEREST WHICH TRANSCENDS REGIONAL INTERESTS AND THAT VIEW ALSO GOES SO FAR AS TO SAY THAT WHEN THERE IS A CONFLICT BETWEEN THE NATIONAL INTEREST AND THE PROVINCIAL INTEREST, THE NATIONAL INTEREST MUST PREVAIL BECAUSE CANADA IS MORE THAN JUST THE SUM OF ITS PARTS, MORE THAN THE SUM OF 10 PROVINCES, MORE THAN THE SUM OF 10 REGIONAL ECONOMIES AND THAT IS MY VIEW. IT IS ONE VIEW THAT I HOLD VERY DEARLY."

WHEREAS THE PREMIERS, IN ALMOST ALL CASES, WANTED TO GIVE CONSTITUTIONAL PROTECTION TO THE RIGHTS OF PROVINCIAL GOVERNMENTS, THEY WOULD NOT GIVE CONSTITUTIONAL PROTECTION TO THE RIGHTS OF CITIZENS. NOR WOULD THEY AGREE TO LIMIT THE RIGHT TO ERECT PROVINCIAL BARRIERS THAT PREVENT EACH OF US FROM LIVING AND EARNING A LIVING ANYWHERE IN CANADA.

THE SO-CALLED "PROVINCIAL CONSENSUS" PRESENTED TO PRIME MINISTER TRUDEAU CONSISTED OF DEMANDS FOR FEDERAL CONCESSIONS AND NOT A SINGLE COLLECTIVE PROVINCIAL CONCESSION. THIS SO-CALLED CONSENSUS, HAD IT BEEN ACCEPTED BY THE PRIME MINISTER, WOULD HAVE CHANGED THE NATURE OF OUR COUNTRY AND ABOLISHED THE FUNDAMENTAL CONCEPT PUT IN THE CONSTITUTION BY THE FOUNDING FATHERS IN 1867: THAT THERE IS A NATIONAL INTEREST; THAT THIS NATIONAL INTEREST MATTERS MORE THAN REGIONALISM, ALTHOUGH IT CERTAINLY CAN RECOGNIZE ITS EXISTENCE; AND THAT THE FEDERAL GOVERNMENT MUST DEFEND THE NATIONAL INTEREST.

THIS, I BELIEVE, IS A TIME FOR COMMITMENT FOR SUPPORT OF THAT <sup>SECOND</sup> // VIEW OF CANADA I QUOTED. IT REFLECTS THE PRIDE WHICH WE ALL SHOULD HAVE IN BEING CANADIAN, (IN SPITE OF OUR DIFFICULTIES) AND WHAT IT WILL MEAN TO US IN ACHIEVING THE POTENTIAL OF OUR COUNTRY. SURELY THIS IS A VIEW SHARED BY PEOPLE LIKE YOURSELVES, AND PEOPLE EVERYWHERE IN CANADA.

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For release/Pour publication

IMMEDIATE

Subject/Sujet

ITC 16/81S

SPEECH BY

THE HONOURABLE HERB GRAY

TO THE

EDMONTON CHAMBER OF COMMERCE

EDMONTON, ALBERTA

WEDNESDAY, MARCH 25, 1981

CHECK AGAINST DELIVERY





LADIES, AND GENTLEMEN:

MR. CHAIRMAN, I WANT TO THANK THE EDMONTON CHAMBER FOR THE INVITATION TO BE HERE TODAY. AND, EVEN THOUGH THEY WILL PROBABLY NEVER HEAR OF THIS, I ALSO WANT TO THANK THE STAFF AT THE NATIONAL DEFENCE MEDICAL CENTRE IN OTTAWA, WITHOUT WHOSE HELP OVER THE PAST THREE MONTHS, I RATHER DOUBT WHETHER I WOULD HAVE BEEN SUFFICIENTLY AMBULATORY BY NOW TO BE ABLE TO COME. AS YOU KNOW, I HAD AN UNFORTUNATE INDUSTRIAL ACCIDENT -- AND WAS THEREFORE IN HOSPITAL AT THE TIME WHEN I WAS SCHEDULED TO SPEAK TO YOUR GROUP LAST DECEMBER. HAPPILY, YOU -- AND MY KNEE -- WERE KIND ENOUGH TOO GIVE ME A SECOND CHANCE.

AS SOMEONE WHO HAS LONG TAKEN A KEEN INTEREST IN NATIONAL ECONOMIC DEVELOPMENT ISSUES, I WELCOME THE WEST'S EMERGENCE AS THE LOCUS FOR SOME OF THE MOST EXCITING AND PROMISING BUSINESS ACTIVITY IN CANADA TODAY. TO ME IT IS OBVIOUS THAT WESTERN CANADA, AND ALBERTA IN PARTICULAR, IS GOING TO PLAY A KEY ROLE IN BUILDING THE FUTURE OF THIS COUNTRY. THIS COMES NOT ONLY FROM YOUR RESOURCE BOOM, YOUR GROWING INDUSTRIAL BASE AND YOUR GROWING POPULATION ---

---IT COMES AS WELL FROM THE APPROACH OF ALBERTANS, OF WESTERNERS IN GENERAL. WHETHER IT IS THE RESULT OF HISTORY OR CLIMATE OR GEOGRAPHY -- WHATEVER IT IS -- ALBERTA IS A PLACE FOR PEOPLE WHO ARE WILLING TO TAKE RISKS, WHO ARE NOT AFRAID OF WORK, WHO ARE WILLING TO TACKLE BIG PROBLEMS AND OVERCOME THEM. OTHER PARTS OF CANADA ARE CERTAINLY NOT BEREFT OF THESE QUALITIES, BUT THE WEST HAS THEM IN SUCH ABUNDANCE.

NOW I IMAGINE THAT ALBERTANS IN PARTICULAR AND WESTERNERS IN GENERAL ARE WARY OF EASTERNERS WHO COME TO TELL THEM HOW GREAT THEIR RESOURCES -- HUMAN AND NATURAL -- ARE, HOW WELL THEY ARE DOING. QUITE UNDERSTANDABLY, THEY MAY SUSPECT A LACK OF UNDERSTANDING BY NON-WESTERNERS THAT THIS REGION TOO FACES GENUINE PROBLEMS THAT MUST BE OVERCOME IF IT IS TO REALIZE ITS POTENTIAL FOR GROWTH AND PROSPERITY.

WELL, LET ME TRY TO PUT ANY SUCH CONCERNS TO REST. FOR ONE THING, I AM CERTAINLY CONSCIOUS, AS MUST ANYONE BE WHO HAS KNOWLEDGE AND EXPERIENCE IN THE WAY ECONOMIC ACTIVITY HAPPENS AND DEVELOPS, THAT THE PRINCIPAL BENEFICIARIES IN CANADA FROM THE EXPLOITATION OF THE STRENGTHS THAT ARE SO NUMEROUS HERE WILL BE WESTERNERS THEMSELVES.

THAT WESTERN CANADIANS, BOTH THOSE WHO HAVE LIVED IN THE WEST FOR YEARS OR GENERATIONS AND THOSE WHO ARE RELATIVELY RECENT ARRIVALS FROM OTHER PARTS OF THE COUNTRY, ARE FACED WITH MULTIPLYING OPPORTUNITIES TO FIND NEW JOBS, TO OPEN NEW BUSINESSES AND TO ENJOY HIGHER LIVING STANDARDS THAN EVER BEFORE. THAT'S GOOD FOR THE WEST AND GOOD FOR THE WHOLE OF CANADA, SINCE GROWTH AND WEALTH HERE PRODUCE POSITIVE EFFECTS FOR ALL CANADIANS.

SECONDLY, LET THERE BE NO DOUBT THAT I AND MY COLLEAGUES IN THE FEDERAL CABINET REALIZE THAT WHILE THE WEST HAS IN RECENT YEARS EXPERIENCED A RAPID RATE OF ECONOMIC GROWTH AND ACCUMULATION OF WEALTH AND INCOME BY ITS RESIDENTS, STILL THERE REMAIN SERIOUS CONSTRAINTS TO MAXIMIZING ECONOMIC PERFORMANCE IN WESTERN CANADA. IN THE CASE OF ALBERTA, WE KNOW THAT WHILE THE PROVINCE HAS CERTAIN NATURAL ADVANTAGES FOR INDUSTRY AND BUSINESS, IT ALSO HAS IMPORTANT PROBLEMS, INCLUDING THE LACK OF A DIVERSIFIED INDUSTRIAL BASE, ITS DISTANCE FROM MAJOR MARKETS, A SMALL POPULATION, A HARSH CLIMATE, A LIMITED WATER SUPPLY AND A SHORTAGE OF SKILLED LABOUR. WE ALSO KNOW THAT ALBERTA IS AS EXPOSED TO THE DISRUPTIVE EFFECTS OF INFLATION AS ANY OTHER PART OF CANADA, INDEED, AS ANY PART OF THE INDUSTRIALIZED WORLD.

FINDING WORKABLE SOLUTIONS FOR THESE VERY GENUINE PROBLEMS IS NOT EASY, AND CERTAINLY, THERE CAN BE NO SOLUTIONS WITHOUT A DETERMINED EFFORT FROM ALL OF US, FROM BUSINESS, FROM LABOUR, AND FROM ALL LEVELS OF GOVERNMENT. FOR THE FEDERAL GOVERNMENT, THERE ARE VERY CLEAR RESPONSIBILITIES TO HELP REMOVE THE ROADBLOCKS AND TO FOSTER ACCELERATED AND MORE DIVERSIFIED ECONOMIC GROWTH IN THE WEST. THESE ARE RESPONSIBILITIES WHICH WE ARE VERY MUCH ENGAGED IN CARRYING OUT.

FOR EXAMPLE, THE UNDERSTANDABLE WISH OF WESTERN CANADA TO DIVERSIFY ITS ECONOMY IS ONE GOAL WHICH I, AS THE MINISTER OF INDUSTRY, TRADE AND COMMERCE, NOT ONLY UNDERSTAND BUT AM ACTIVELY WORKING TO ACCOMPLISH. FOR, AS LONG AS THE ECONOMY OF WESTERN CANADA IS DEPENDENT PRINCIPALLY UPON AGRICULTURE AND NATURAL RESOURCE PRODUCTION, IT WILL RISK BEING SUBJECT TO A FEAST OR FAMINE GROWTH PATTERN.

NATURAL RESOURCES WILL UNDOUBTABLY CONTINUE TO BE THE ENGINE OF GROWTH IN THE WEST FOR MANY YEARS TO COME, BUT THEIR IMPORTANCE WILL INCREASINGLY BE AS A BUILDING BLOCK FOR DIVERSIFYING THE REGION'S ECONOMY. THERE ARE POTENTIAL OPPORTUNITIES NOW TO DEVELOP MANUFACTURING SECTORS TO FURNISH MACHINERY, EQUIPMENT AND OTHER SUPPLIES TO RESOURCE DEVELOPMENT PROJECTS.



EQUALLY, THERE ARE POTENTIAL OPPORTUNITIES TO PROCESS NATURAL RESOURCES TO FINISHED PRODUCTS FOR THE DOMESTIC AND EXPORT MARKETS.

NOTICE THAT I HAVE INSERTED THE WORD "POTENTIAL" IN DESCRIBING THESE OPPORTUNITIES. I HAVE DONE SO PURPOSEFULLY, BUT NOT TO IMPLY THAT THE WEST OR ALBERTA ARE NOT ALREADY REALIZING IMPORTANT GAINS IN INDUSTRIAL DIVERSIFICATION BASED MAINLY ON THEIR RESOURCE STRENGTHS. THE BURGEONING PETRO-CHEMICALS INDUSTRY HERE, AS ONE EXAMPLE, WOULD BELIE THAT THESIS. AT THE SAME TIME, I DO NOT BELIEVE THAT WE CAN EXPECT THAT ALL THE MANY POSSIBLE INDUSTRIAL BENEFITS OF RESOURCE EXPLOITATION WILL COME AUTOMATICALLY TO THE WEST, OR EVEN TO CANADA AS A WHOLE. FOR THIS TO HAPPEN, THE ROLE OF GOVERNMENT POLICY IS, IN MY VIEW, CRITICAL.

LAST OCTOBER'S BUDGET WHICH INCREASED FUNDING FOR ECONOMIC DEVELOPMENT BY 22% REFLECTS THE FEDERAL GOVERNMENT'S RECOGNITION OF THE NEED FOR SIGNIFICANT GOVERNMENT INITIATIVES TO ENHANCE OUR ABILITY TO PROFIT FROM OUR NATURAL ADVANTAGES AND OVERCOME ANY DISADVANTAGES FOR INDUSTRIAL DEVELOPMENT.

HOWEVER, I WANT TO EMPHASIZE THAT THESE SPENDING INITIATIVES ARE IN ADDITION TO FEDERAL ALLOCATIONS FOR EXISTING INDUSTRIAL DEVELOPMENT ACTIVITY, IN PROGRAMMES THAT ARE ADMINISTERED BY A NUMBER OF FEDERAL DEPARTMENTS, INCLUDING AGRICULTURE, ENERGY, TRANSPORTATION, INDUSTRY, TRADE AND COMMERCE, AND SCIENCE AND TECHNOLOGY. LOOKING AT THE PROGRAMMES FOR WHICH THE MINISTER OF INDUSTRY, TRADE AND COMMERCE IS RESPONSIBLE, IN THE PERIOD OF THE LAST SIX YEARS THESE PROGRAMS HAVE PROVIDED \$523 MILLION IN LOANS, LOAN GUARANTEES, CONTRIBUTIONS AND GRANTS IN THIS PROVINCE. THIS INCLUDES SOME \$76 MILLION LENT OUT UNDER THE SMALL BUSINESS LOANS ACT, FEDERAL BUSINESS DEVELOPMENT BANK LOANS TOTALLING MORE THAN \$380 MILLION, \$4 MILLION EXPENDED IN THE PROGRAMME FOR EXPORT MARKET DEVELOPMENT AND \$32 MILLION SPENT TO ASSIST INDUSTRY IN PRODUCTIVITY AND INNOVATION ACTIVITIES. OF COURSE, POSSIBLY THE MOST SIGNIFICANT OF ALL THE ONGOING FEDERAL PROGRAMMES FOR ASSISTING ECONOMIC DEVELOPMENT IN THE PROVINCE AND EVERYWHERE IN CANADA ARE THE INCENTIVES PROVIDED THROUGH THE FEDERAL TAX SYSTEM. SINGLING OUT ONLY THOSE TAX INCENTIVES THAT ARE IN PLACE TO PROMOTE EXPLORATION AND DEVELOPMENT OF NON-RENEWABLE RESOURCES, THE VALUE OF THESE INCENTIVES IN RELATION TO ALBERTA RESOURCES IS ESTIMATED AT \$4-5 BILLION IN THE FIVE YEARS ENDING IN 1980.

BUT, IMPORTANT THOUGH THE GOVERNMENT'S FINANCIAL COMMITMENT TO STRENGTHENING THE ECONOMIES OF THE WEST AND OF ALL OF CANADA'S REGIONS IS, GOVERNMENT POLICY DOES NOT--CANNOT--BEGIN AND END WITH SIMPLY SPENDING MONEY. THE NATURE OF GOVERNMENT IS SUCH THAT A VARIETY OF INSTRUMENTS CAN BE BROUGHT TO BEAR IN ACHIEVING PUBLIC POLICY GOALS, AND I BELIEVE THAT THE PEOPLE OF WESTERN CANADA HAVE A RIGHT TO EXPECT THAT THEIR GOVERNMENTS, FEDERAL OR PROVINCIAL, WILL CREATIVELY AND EFFECTIVELY USE EXISTING AND NEW PROGRAMS TO FOSTER A STRENGTHENED AND MORE DIVERSIFIED ECONOMY IN THEIR REGION.

NOW, I DO NOT WANT TO TAX YOUR ATTENTIVENESS WITH AN EXHAUSTIVE DESCRIPTION OF THE FEDERAL GOVERNMENT'S ROSTER OF POLICIES AND PROGRAMMES IN THE AREA OF ECONOMIC DEVELOPMENT AND THEIR IMPACTS ON THE WEST. HOWEVER, I SHALL TAKE A FEW MINUTES TO TALK BRIEFLY ABOUT OUR ACTIONS IN RESPECT OF THREE ASPECTS OF INDUSTRIAL POLICY THAT ARE VERY PERTINENT TO WHAT I KNOW ARE SOME OF YOUR MAJOR INTERESTS AS TO THE DIRECTIONS OF ECONOMIC ACTIVITY IN WESTERN CANADA.

THE FIRST OF THESE IS WHAT WE CALL INDUSTRIAL BENEFITS POLICY, AND IT IS AN AREA WHERE THE FEDERAL GOVERNMENT AND VARIOUS PROVINCIAL GOVERNMENTS HAVE BECOME INCREASINGLY ACTIVE WITH THE ADVENT OF MEGAPROJECTS, FOR THE MOST PART RELATED TO RESOURCE EXPLOITATION, COSTING HUNDREDS OF MILLIONS, SOMETIMES BILLIONS OF DOLLARS. ON THE PART OF THE FEDERAL GOVERNMENT, RECOGNITION OF THE NECESSITY FOR SPECIFIC INITIATIVES IN ORDER TO SECURE FOR CANADIANS THE MAJOR PORTION OF THE INDUSTRIAL DEVELOPMENT BENEFITS FROM MAJOR PROJECTS HAS GIVEN RISE TO A NUMBER OF POLICY AND LEGISLATIVE MEASURES. THUS, IN 1975 THE GOVERNMENT PUBLISHED THE "NEW PRINCIPLES OF INTERNATIONAL BUSINESS CONDUCT" (COMMONLY KNOWN AS THE GILLESPIE GUIDELINES) TO OUTLINE FOR FOREIGN-OWNED FIRMS OUR EXPECTATIONS FOR GOOD CORPORATE CITIZENSHIP IN CANADA -- THE GUIDELINES INCLUDED A PARTICULAR REFERENCE TO PURCHASING FROM COMPETITIVE CANADIAN FIRMS; IN THE SAME YEAR THE ADVISORY COMMITTEE ON INDUSTRIAL BENEFITS, SITUATED IN I T & C, WAS CREATED WITH REPRESENTATION FROM OTHER FEDERAL GOVERNMENT DEPARTMENTS AND A NUMBER OF PROVINCIAL GOVERNMENTS TO MONITOR AND ENCOURAGE COMPETITIVE CANADIAN SOURCING BY ALL FIRMS ENGAGED IN MAJOR PROJECTS DEVELOPMENT; THERE ARE THE PROVISIONS IN THE 1978 NORTHERN PIPELINE ACT ENSURING THAT CANADIAN SUPPLIERS HAVE A FAIR AND EQUAL OPPORTUNITY TO PARTICIPATE IN SUPPLYING THE ALASKA GAS PIPELINE; TWO YEARS AGO THE MAJOR PROJECTS TASK

FORCE WAS ESTABLISHED, WITH PARTICIPATION FROM BUSINESS AND LABOUR, TO INVESTIGATE AND MAKE RECOMMENDATIONS ON THE ISSUE OF INDUSTRIAL BENEFITS FROM MAJOR PROJECTS - I AM TOLD THAT THE REPORT OF THE TASK FORCE WILL BE READY IN EARLY SUMMER; AND, FINALLY, THE CANADA OIL AND GAS ACT, NOW BEFORE PARLIAMENT, CONTAINS INDUSTRIAL BENEFITS PROVISIONS FOR OIL AND GAS EXPLORATION AND DEVELOPMENT PROJECTS UNDERTAKEN ON CANADA LANDS (THE OFFSHORE, YUKON, AND NORTHWEST TERRITORIES).

FROM THIS IT IS QUITE OBVIOUS THAT WE HAVE MADE A STRONG START ON INDUSTRIAL BENEFITS POLICIES -- WHICH HAVE HELPED IN THE EMERGENCE AND GROWTH OF NEW INDUSTRIES, NEW EMPLOYMENT IN THE WEST AND IN THE REST OF CANADA. TWO OF THE MOST PROMINENT EXAMPLES OF THIS ARE THE ESTABLISHMENT IN ALBERTA OF A GROUP OF CANADIAN ENGINEERING COMPANIES WHICH HAVE BECOME VERY COMPETITIVE NOT ONLY IN CANADA, BUT ALSO IN INTERNATIONAL PROJECTS, AND THE CREATION OF DESIGN AND CONSTRUCTION CAPACITY IN CANADA FOR ONE OF THE MOST ADVANCED ICEBREAKER TECHNOLOGIES IN THE WORLD.

FRANKLY, I AM NOT PREPARED TO BE CONTENT WITH ANYTHING LESS THAN SPECTACULAR RESULTS IN THIS AREA. FOR, ESPECIALLY AGAINST A BACKGROUND OF THE SUCCESSFUL BRITISH AND NORWEGIAN EXPERIENCES IN USING INDUSTRIAL BENEFITS POLICY TO CREATE WORLD-CLASS INDUSTRIES WITH A HIGH TECHNOLOGICAL



COMPONENT, I SEE - AS I AM SURE YOU DO -- THE ENORMOUSLY VARIED INDUSTRIAL OPPORTUNITIES COMING FROM THE EXPLOITATION OF OUR RICH AND INCREASINGLY VALUABLE RESOURCES AS CANADA'S ACE IN THE HOLE FOR PERMANENTLY STRENGTHENING THE INDUSTRIAL BASE IN ALL REGIONS OF THE COUNTRY. THEREFORE, I AM WORKING ON A SERIES OF NEW INITIATIVES IN INDUSTRIAL BENEFITS, INITIATIVES WHICH, WITH COMPLEMENTARY EFFORTS BY THE PRIVATE SECTOR AND BY PROVINCIAL GOVERNMENTS, WILL ENSURE THAT CANADIAN BUSINESS, CANADIAN WORKERS CAN CAPTURE THE REAL INDUSTRIAL DEVELOPMENT POTENTIAL OF THE NEW OPPORTUNITIES THAT ARE OPENING UP.

THE SECOND APPROACH THAT I WANT TO MENTION IN THIS CONTEXT OF FEDERAL MEASURES TO PROMOTE INDUSTRIAL DEVELOPMENT AND DIVERSIFICATION IS THE FOREIGN INVESTMENT REVIEW AGENCY. OF COURSE, I KNOW THAT FIRA HAS COME IN FOR A LOT OF CRITICISM HERE IN ALBERTA, BUT I THINK THAT MOST OF THAT CRITICISM FLOWS FROM COMMON MISUNDERSTANDINGS AS TO ITS ROLE. OPPONENTS OF THE AGENCY TEND TO FOCUS ON ITS ABILITY TO DISALLOW PROPOSED INVESTMENTS BY FOREIGNERS AND TO CHARGE THAT EACH DISALLOWANCE MEANS LOST INVESTMENT, LOST JOBS AND SO FORTH. THE EVIDENCE DOES NOT SUPPORT THIS. TO BE SURE, WE DO USE THE POWERS DEFINED IN THE ACT TO DISALLOW FOREIGN

INVESTMENT PROPOSALS, BUT ONLY THOSE THAT FAIL TO MEET THE TEST OF SIGNIFICANT BENEFIT. AN EXAMPLE OF THIS MIGHT BE A FOREIGN STANDARD-TECHNOLOGY OILFIELD EQUIPMENT SUPPLIER THAT WANTED TO OPEN UP A DISTRIBUTION OFFICE IN CANADA TO SELL IMPORTED EQUIPMENT IN OUR MARKET TO THE DETRIMENT OF COMPETITIVE COMPANIES ALREADY MANUFACTURING IN CANADA. AN INVESTMENT OF THIS SORT DOES NOT BRING WITH IT NEW JOBS ETCETERA, BUT RATHER PROBABLY THE OPPOSITE, AND I DOUBT THAT MANY PEOPLE WOULD FAIL TO SEE THE MERIT IN GOVERNMENT HAVING THE POWER TO PREVENT IT FROM HAPPENING.

BUT WHAT IS OFTEN OVERLOOKED IN REGARD TO FIRA'S FUNCTIONS IS THAT, IN ADDITION TO BEING ABLE TO RECOMMEND THE ALLOWANCE OR DISALLOWANCE OF THE NEW INVESTMENTS COVERED BY THE ACT, THE AGENCY ALSO ENGAGES IN NEGOTIATIONS WITH APPLICANTS, IN MANY CASES RESULTING IN SUBSTANTIAL IMPROVEMENTS IN THE INVESTMENT PROPOSALS THAT ARE ALLOWED BY CABINET.

A THIRD VERY IMPORTANT INSTRUMENT OF GOVERNMENT POLICY ON INDUSTRIAL DEVELOPMENT IS OUR EXPORT DEVELOPMENT PROGRAMME. THIS IS AN AREA WHERE YOUR PROVINCIAL GOVERNMENT HAS ALSO BECOME INCREASINGLY INVOLVED, AND WHERE THERE HAS CONSEQUENTLY BEEN A GREAT DEAL OF POSITIVE COOPERATION BETWEEN FEDERAL AND PROVINCIAL AUTHORITIES. THUS, MY

COLLEAGUE, THE HONOURABLE ED LUMLEY, MINISTER OF STATE FOR TRADE, AND THE HONOURABLE HORST SCHMIDT, PROVINCIAL MINISTER OF STATE FOR ECONOMIC DEVELOPMENT AND INTERNATIONAL TRADE HAVE WORKED VERY CLOSELY IN PROMOTING THE JOINT INTERESTS OF ALBERTA AND CANADA ABROAD. IN A SIMILAR VEIN, MY DEPARTMENT AND THE ALBERTA DEPARTMENT OF ECONOMIC DEVELOPMENT HAVE DEALT WITH OVER 100 INCOMING MISSIONS DURING THE LAST YEAR; COMPANIES FROM ALBERTA AND THE REST OF CANADA HAVE UTILIZED WITH SIGNIFICANT SUCCESS OUR TRADE FAIRS AND MISSIONS PROGRAMME TO MAKE FOREIGN BUYERS AWARE OF THE MANY PRODUCTS AND SERVICES THAT CAN BE PURCHASED HERE; AND OUR 300 TRADE COMMISSIONERS STATIONED AROUND THE WORLD ACT AS OVERSEAS REPRESENTATIVES FOR CANADIAN BUSINESS FROM ALL REGIONS. FINALLY, AS I HAVE MENTIONED PREVIOUSLY, INDUSTRY, TRADE AND COMMERCE HAS ALSO SPENT \$4 MILLION THROUGH THE PROGRAMME FOR EXPORT MARKET DEVELOPMENT IN ASSISTING ALBERTA BUSINESSMEN TO SELL OVERSEAS.

EARLIER, I SAID THAT THE FEDERAL GOVERNMENT HAS A NUMBER OF VERY CLEAR RESPONSIBILITIES TO HELP PROMOTE WESTERN CANADA'S ECONOMIC DEVELOPMENT OBJECTIVES, AND I HAVE SINCE TALKED ABOUT SOME OF THE WAYS IN WHICH WE ARE ACTING ON THOSE RESPONSIBILITIES, JUST AS WE HAVE A RESPONSIBILITY TO SUPPORT ECONOMIC DEVELOPMENT IN OTHER AREAS OF CANADA.

AN ISSUE FOREMOST IN THE MINDS OF ALL CANADIANS IS THE ENERGY ISSUE. AND, I DO NOT BELIEVE THAT THERE IS ANYONE IN THIS COUNTRY WHO DOES NOT WANT THIS QUESTION RESOLVED TO THE SATISFACTION OF ALL PARTIES VERY QUICKLY.

AS A NATIONAL GOVERNMENT WHICH MUST BE MINDFUL OF THE IMPACT OF ENERGY POLICY ON THE ECONOMIC DEVELOPMENT OF ALL OF CANADA, WE MUST BRING TO THE NEGOTIATING TABLE CONCERNS ABOUT THE EFFECTS OF TOO-RAPID OIL PRICE INCREASES ON THE RATE OF INFLATION, CONCERNS ABOUT RETAINING A COMPETITIVE EDGE IN ENERGY COSTS FOR CANADIAN INDUSTRIES IN ALL REGIONS OF THE COUNTRY, AND CONCERNS ABOUT ATTAINING A LEVEL OF CANADIAN OWNERSHIP AND CONTROL OVER THE OIL INDUSTRY SUFFICIENT TO ESTABLISH A MEASURE OF CONFIDENCE THAT OUR OIL INDUSTRY WILL SERVE CANADIAN NEEDS. SURELY, WE ALL SHARE THESE CONCERNS WHICH INVOLVE THE WELL-BEING OF CONSUMERS, FARMERS, SMALL BUSINESS PEOPLE RIGHT HERE IN ALBERTA AND ALL OVER THE COUNTRY.

AS SERIOUS AS THE ENERGY SITUATION IS, I SUSPECT IT IS SYMPTOMATIC OF BROADER AND INFINITELY MORE SERIOUS PROBLEMS IN WHAT IS HAPPENING WITH MANY ISSUES OF PARAMOUNT CONCERN TO FEDERAL AND PROVINCIAL GOVERNMENTS AND TO THE CANADIAN PEOPLE. TOO OFTEN IT SEEMS TO ME, NO COMMON





# news release communiqué



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Subject/Sujet

IT&C 36/81S



NOTES FOR A SPEECH

BY

THE HONOURABLE HERB GRAY, P.C., M.P.

MINISTER OF INDUSTRY, TRADE AND COMMERCE

TO

THE 40TH ANNUAL CONVENTION OF

THE CANADIAN ASSOCIATION OF RECYCLING INDUSTRIES

CHATEAU LAURIER HOTEL

OTTAWA

TUESDAY, JUNE 16TH, 1981

CHECK AGAINST DELIVERY



THANK YOU FOR YOUR INVITATION TO ALL OF US . . . THE MEMBERS OF PARLIAMENT . . . TO JOIN YOU FOR BREAKFAST THIS MORNING.

40 YEARS AGO, C.D. HOWE WAS LEADING THE EXTRAORDINARY EFFORT BY CANADIAN INDUSTRY TO HELP WIN THE SECOND WORLD WAR.

YOUR ASSOCIATION CAME INTO BEING AS THE RESULT OF AN URGENT REQUEST BY MR. HOWE DURING THE EARLY DAYS OF THE WAR. WE NEEDED TO UNIFY CANADIAN SCRAP DEALERS, TO HELP MOBILIZE OUR RESOURCES IN THE MOST EFFICIENT WAY POSSIBLE.

THE RECYCLING INDUSTRY RESPONDED TO THE CALL, BANDED TOGETHER, AND PROVIDED THE RAW MATERIALS VITAL TO OUR SURVIVAL.

YOUR INDUSTRY HAS GRADUATED, OVER THE YEARS FROM A GROUP OF SCRAP COLLECTORS, TO A SOPHISTICATED INDUSTRY, WITH MULTI-MILLION DOLLAR INVESTMENTS IN MACHINERY AND EQUIPMENT. THIS INCLUDES AUTOMOBILE SHREDDERS, BALERS, PRESSES, SHEARS, AND SO ON, WHICH PROCESS SCRAP, SO THAT IT CAN BE REUSED IN INDUSTRIAL ACTIVITY.

I'M SURE MANY OF YOU KNOW SOME OF THE PEOPLE WHO  
FOUNDED THE ASSOCIATION 40 YEARS AGO, WHEN CANADA  
COUNTED ON THEM TO SERVE THE COUNTRY'S NEEDS.

I UNDERSTAND THAT CHARLES ZALEV, ONE OF THOSE  
FOUNDERS, IS ATTENDING THIS ANNUAL MEETING.

AS WE DID 40 YEARS AGO, DURING WORLD WAR II, WE MUST  
COUNT ON YOU NOW, TO SERVE THE COUNTRY'S NEEDS IN THE  
80S . . . WHEN WE ALSO HAVE MAJOR GOALS.

GOALS FOR THE 1980S WHICH OCCUPY PARLIAMENT, THE  
GOVERNMENT, AND THE CANADIAN PEOPLE, INVOLVE  
CONSERVATION . . . OF ENERGY, OF OUR LAND, FORESTS,  
CLEAN AIR, WATER . . . CONSERVATION OF ALL OUR  
RESOURCES, BOTH RENEWABLE AND NON-RENEWABLE.

AND, AS WE SHALL SEE IN AN AUDIO-VISUAL PRESENTATION  
IN A FEW MINUTES, THE RECYCLING INDUSTRIES ARE  
PLAYING A MAJOR ROLE TO ACHIEVE THESE GOALS.

THIS ROLE IS ESPECIALLY APPROPRIATE FOR YOUR MEMBER  
COMPANIES IN THIS COUNTRY . . . COMPANIES WHICH ARE  
VIRTUALLY 100 PER CENT CANADIAN-OWNED AND  
CONTROLLED.

MANY OF THE ALMOST 300 MEMBERS WHICH BELONG TO THE ASSOCIATION ARE SMALL AND MEDIUM SIZED COMPANIES . . . THE TYPE OF ENTERPRISE WHICH IS THE BACKBONE OF CANADIAN INDUSTRY.

YOUR CONTRIBUTION IS VITAL.

STEEL SCRAP IS ESSENTIAL IN THE PRODUCTION OF NEW STEEL; AND RECYCLED NON-FERROUS METALS AND PAPER ARE PRIME SOURCES FOR MANUFACTURERS.

(MORE THAN 200 RESIDENT MEMBERS; 55 NON-RESIDENT; 12 ASSOCIATE)

MOST CANADIANS DON'T REALIZE THE CONTRIBUTION THE RECYCLING INDUSTRIES ARE MAKING TO OUR ECONOMY, TO OUR ENVIRONMENT, TO THE ENJOYMENT OF OUR LIFESTYLE.

I CONGRATULATE YOU FOR STEPPING UP YOUR EFFORTS TO TELL MORE CANADIANS ABOUT THAT CONTRIBUTION.

ANY INDUSTRY WHICH HAS SALES APPROACHING TWO BILLION DOLLARS IS AN IMPORTANT PART OF OUR ECONOMY.



AND YOUR SALES ABROAD OF MORE THAN 500-MILLION DOLLARS INCREASE OUR EXPORTS SIGNIFICANTLY.

MORE THAN EIGHT THOUSAND PEOPLE ARE EMPLOYED BY YOUR MEMBER COMPANIES.

PRESENT TRENDS IN STEEL TECHNOLOGY INDICATE INCREASING REQUIREMENTS FOR SCRAP.

INDEED, MORE AND MORE PRODUCTION WILL BE BASED ON ELECTRIC FURNACES WHICH CAN USE UP TO 100 PER CENT SCRAP CHARGE.

OBTAINING, IN THE 1980S, THE RECYCLING INDUSTRY WILL BECOME EVEN MORE ESSENTIAL THAN IT IS NOW.

I'M SURE IT COMES AS A SURPRISE TO MOST PEOPLE THAT THERE ARE LARGE SAVINGS OF ENERGY ACHIEVED THROUGH RECYCLING METALS AND PAPER.

FOR EXAMPLE, MAKING STEEL FROM SCRAP TAKES 74 PER CENT LESS ENERGY THAN MAKING STEEL FROM ORE; PRODUCING COPPER FROM SCRAP USES 87 PER CENT LESS

ENERGY; RECYCLING PAPER TAKES 50 PER CENT LESS ENERGY. . . . AND ALMOST 100 PER CENT FEWER TREES.

THE PUBLIC HAS YET TO REALIZE FULLY THE POTENTIAL BENEFITS FROM RECYCLED MATERIALS.

PERHAPS EVEN MORE IMPORTANT THAN YOUR PRESENT ACCOMPLISHMENTS IS WHAT YOU WILL BE DOING IN THE NEXT DECADE, LEADING TO THE 50TH ANNIVERSARY OF THE ASSOCIATION.

WE WILL ALL BE UNDER MORE PRESSURE: TO DO MORE TO CONSERVE ENERGY AND OUR NATURAL RESOURCES; TO PRODUCE OUR GOODS MORE EFFICIENTLY AT HOME; TO COMPETE SUCCESSFULLY AGAINST INCREASED COMPETITION ABROAD.

INDEED, FORECASTS OF ECONOMIC AND INDUSTRIAL DEVELOPMENTS HAVE PROMPTED SOME PREDICTIONS OF METALS SHORTAGES.

I KNOW THAT MOST OF YOU WILL REMEMBER THE PROBLEMS WHICH WE ENCOUNTERED IN THE MID-1970S, WHEN THE

UNITED STATES IMPLEMENTED FERROUS SCRAP EXPORT CONTROLS. MY DEPARTMENT, ABLY ASSISTED BY MORRIS PALMER, SID KATZMAN, AND OTHERS, FORMED A COMMITTEE OF SCRAP CONSUMERS AND PRODUCERS, TO ADDRESS THE PROBLEMS CREATED FOR CANADIAN INDUSTRY. IT WAS A UNANIMOUS RECOMMENDATION TO THE GOVERNMENT BY THAT COMMITTEE, THAT WE PRESS THE UNITED STATES TO RECOGNIZE THE TRADITIONAL, MUTUALLY BENEFICIAL TRADE IN SCRAP BETWEEN OUR TWO COUNTRIES.

IN THE EVENT SUCH ACTION SHOULD BE TAKEN IN THE FUTURE, WE WANT THEIR AGREEMENT THAT THIS CROSS BORDER TRADE SHOULD CONTINUE.

LAST YEAR, I RAISED THE MATTER OF THAT TRADITIONAL TRADE IN SCRAP WITH THE SECRETARIES OF STATE AND COMMERCE IN THE FORMER U-S ADMINISTRATION.

THEY RECOGNIZED THAT THIS TRADE WAS MUTUALLY BENEFICIAL. THEY UNDERTOOK TO INSTITUTE DISCUSSIONS TO MAINTAIN THIS TRADE, IN THE EVENT THAT THEY WERE FORCED TO ADOPT CONTROL OF SCRAP IN THE FUTURE.

SINCE THEN, THERE HAS BEEN A CHANGE IN THE ADMINISTRATION IN THE UNITED STATES. I ASSURE YOU I WILL BE RAISING THIS ISSUE AGAIN, TO SEEK THE SAME ASSURANCE FROM THE NEW SECRETARIES OF STATE AND COMMERCE.

I AM PLEASED TO SAY THAT DURING THAT CRITICAL PERIOD OF U-S CONTROLS, THANKS TO YOUR EFFORTS, VIRTUALLY NO CANADIAN SCRAP CONSUMER SUFFERED SHORTAGES.

WHAT DOES THE DECADE OF THE 80S HOLD FOR YOUR INDUSTRY?

THE IRON AND STEEL DIVISION OF MY DEPARTMENT HAS BEEN ANALYZING THE FERROUS (IRON AND STEEL) SCRAP SECTOR. THEY INFORM ME THAT THE TRENDS AUGUR WELL FOR THE FUTURE DEMAND FOR STEEL SCRAP.

THE CANADIAN STEEL INDUSTRY IS OPERATING AT PEAK CAPACITY. IN THE U-S-A, THE STEEL INDUSTRY HAS SHOWN A MARKED IMPROVEMENT OVER THE PAST FEW MONTHS, AND IS NOW OPERATING AT OVER 85 PER CENT CAPACITY.

THE STEEL INDUSTRY WILL HAVE TO DEVELOP METHODS TO USE LARGER TONNAGES OF GALVANIZED STEEL SCRAP, WHICH IS COATED WITH ZINC -- AN UNDESIRABLE ELEMENT IN A STEEL FURNACE. LARGER QUANTITIES OF GALVANIZED STEEL ARE BEING USED IN AUTOMOBILES TO PREVENT PREMATURE CORROSION.

THE SCRAP INDUSTRY FACES THE CHALLENGE OF FINDING MORE ECONOMICAL WAYS TO SEGREGATE SCRAP INTO VARIOUS CATEGORIES, AS NEW FAMILIES OF STEELS ARE BEING DEVELOPED, SOME OF WHICH CONTAIN ALLOYS. WHEN THIS METAL IS EVENTUALLY SCRAPPED, IT COULD CAUSE PROBLEMS IN STEEL FURNACES. SEGREGATION OF SCRAP INTO UNIFORM GRADES COULD, IN FACT, ENHANCE ITS VALUE.

THERE IS ALSO A PROBLEM OF ECONOMICALLY REMOVING ALUMINUM TOPS FROM STEEL-BODIED CANS, TO PERMIT BOTH METALS TO BE SEGREGATED AND USED IN THE PRODUCTION OF STEEL AND ALUMINUM.

MUCH HIGHER CAPITAL COSTS FOR TRADITIONAL BLAST FURNACE FACILITIES NOW MAKE ELECTRIC FURNACE



PRODUCTION OF STEEL MORE ATTRACTIVE. THIS PROCESS REQUIRES AN INVESTMENT LESS THAN ONE-THIRD THAT OF THE TRADITIONAL PROCESS. THE ELECTRIC FURNACE PROCESS IS EXPECTED TO PRODUCE A HIGHER PERCENTAGE OF THE INDUSTRY'S OUTPUT. OF COURSE, THIS DEMANDS A SCRAP CHARGE OF UP TO 100 PER CENT.

TO CONSERVE ENERGY, STEEL PRODUCERS ARE NOW INVESTING HEAVILY IN CONTINUOUS CASTING. BECAUSE THIS PROCESS PRODUCES A HIGHER YIELD OF STEEL, LESS SCRAP IS GENERATED INTERNALLY. THEREFORE, STEEL PRODUCERS REQUIRE HIGHER TONNAGES OF PURCHASED SCRAP.

ALL THIS MEANS MORE CHALLENGES TO YOUR INDUSTRY.

YOU WILL NEED TO APPLY THE SAME INGENUITY YOU HAVE USED IN THE PAST, TO MEET NEW STANDARDS OF SERVICE, QUALITY AND EFFICIENCY.

WHEN IT COMES TO NON-FERROUS SCRAP METALS, ONE IMMEDIATELY THINKS OF COPPER, ALUMINUM, MAGNESIUM, LEAD AND ZINC. THESE REPRESENT THE BULK OF THE

METALS HANDLED, AND HAVE A LARGE IMPACT ON OUR INDUSTRIAL SOCIETY.

FROM THE POINT OF VIEW OF CONSERVATION, ONE TON OF RECYCLED ALUMINUM REQUIRES 29 BARRELS OF OIL LESS THAN PRODUCING ONE TON FROM BAUXITE.

AND, WHILE ALUMINUM SHOWS THE MOST DRAMATIC SAVINGS IN ENERGY, THE OTHER METALS PROVIDE THEIR SHARE. FOR EXAMPLE, COPPER PRODUCED FROM SCRAP SHOWS A SAVING OF SEVEN BARRELS OF OIL PER TON. AND ONE BARREL OF OIL EQUALS 600 KILOWATT HOURS OF ELECTRICITY.

THE TERM "A MINE ABOVE THE GROUND" IS AN APT DESCRIPTION OF THE SCRAP INDUSTRY. FOR EXAMPLE, IN 1979, CANADIAN COMPANIES HANDLED OVER 100-THOUSAND TONS OF COPPER AND COPPER ALLOY SCRAP. THIS REPRESENTS THE OUTPUT OF A MINE LARGE ENOUGH TO ESTABLISH SMELTING AND REFINING FACILITIES. SIMILAR COMPARISONS COULD BE MADE WITH THE OTHER METALS.

ANOTHER IMPORTANT GROUP COMPRISES EXOTIC METALS. IT INCLUDES HIGH TEMPERATURE METALS-- SUCH AS NICKEL, COBALT, CHROMIUM AND MANGANESE; REACTIVE METALS --

TITANIUM AND ZIRCONIUM; REFRACTORY METALS --  
TUNGSTEN, MOLYBDENUM, COLUMBIUM, TANTALUM AND  
BERYLLIUM.

THESE METALS, WHEN COMBINED WITH OTHER METALS,  
PRODUCE ALLOYS WHICH HAVE GREAT STRENGTH, ARE  
LIGHTWEIGHT AND ARE ABLE TO RESIST HIGH  
TEMPERATURES.

THESE SUPER ALLOYS ARE VITAL TO ANY INDUSTRIAL  
ECONOMY, NOT TO MENTION THEIR STRATEGIC IMPORTANCE TO  
MILITARY AND SPACE APPLICATIONS. MANY ARE NOT  
PRODUCED IN SUFFICIENT QUANTITIES IN NORTH AMERICA TO  
SUPPLY THE DEMAND.

FOR THIS REASON, IT IS IMPORTANT THAT AS MUCH OF  
THESE ALLOYS AND METALS BE RECYCLED AS POSSIBLE.  
THIS PRESENTS A CHALLENGE TO YOUR INDUSTRY. THE VERY  
PROPERTIES THAT MAKE THESE ALLOYS SO IMPORTANT FOR  
INDUSTRIAL USES, MAKE PACKAGING THEM IN A CONSUMABLE  
FORM MORE DIFFICULT. MUCH RESEARCH WILL HAVE TO BE  
UNDERTAKEN. IMPROVED SORTING FACILITIES WILL BE  
REQUIRED THE BETTER THE QUALITY PRODUCED, THE HIGHER  
THE PROFIT.

THE RECYCLING OF NON-FERROUS METALS WILL PLAY AN INCREASING ROLE IN THE SUPPLY OF MATERIALS TO SUCH INDUSTRIES AS AUTO MANUFACTURING, AEROSPACE AND ELECTRONICS.

ANOTHER COMMODITY FAMILIAR TO EVERYONE . . .  
ESPECIALLY IN OTTAWA . . . IS PAPER.

FIBRE FOR PULP AND PAPER PRODUCTION IN CANADA, AND OTHER PRODUCING COUNTRIES, IS BECOMING MORE COSTLY AND MORE EXPENSIVE. WASTE PAPERS ARE ASSUMING GREATER IMPORTANCE AS A SOURCE OF SECONDARY FIBRES, THAT CAN BE SUBSTITUTED IN THE PULPING PROCESS.

BUT CANADA IS A NET IMPORTER OF WASTE PAPERS . . .  
CURRENTLY AT A RATE OF A MILLION DOLLARS A WEEK. AND THE TREND IS STRONGLY UPWARDS; IMPORTS NOW COMPRISE 40 PER CENT OF OUR CONSUMPTION.

CANADA NOW GENERATES AN ESTIMATED TWO MILLION TONS PER YEAR. BUT THE DISPERSION OF OUR POPULATION CENTRES INHIBITS ECONOMIC COLLECTION.

WE NEED A PROFESSIONAL APPROACH, TO DEVELOP EFFECTIVE, ECONOMICAL COLLECTION SYSTEMS FOR WASTE PAPERS. AND THAT PROFESSIONAL APPROACH MUST COME FROM YOUR MEMBERS.

WE MUST REDUCE, OR ELIMINATE, CANADIAN DEPENDENCE ON IMPORTS, AND PROVIDE CANADIAN MILLS WITH AN ASSURED STEADY SUPPLY. THIS IS PARTICULARLY NEEDED IN WASTE PAPERS WITH A HIGH CONTENT OF MECHANICAL PULP -- NEWSPAPERS AND MAGAZINES.

HERE I'M TALKING ABOUT THE PAPER . . . NOT THE QUALITY OF WHAT'S PRINTED ON IT!

YESTERDAY, YOUR PRESIDENT PROPOSED A NATIONAL RECYCLING POLICY.

HE SAID THAT THE KEY TO SUCH A POLICY IS GOVERNMENT RECOGNITION OF THE CONTRIBUTION MADE BY YOUR MEMBERS TO ENERGY AND RESOURCE CONSERVATION.

THE OFFICIALS OF THE RESOURCE INDUSTRIES BRANCH OF MY DEPARTMENT ARE JUST NOW COMPLETING A STUDY OF THE FERROUS SCRAP INDUSTRY. THE REPORT WILL PROVIDE A



PROFILE OF ITS STRUCTURE AND CAPABILITIES, AND A MEDIUM-TERM FORECAST OF DEMAND FOR SCRAP. I INTEND TO GO ON TO ESTABLISH, IN A FEW MONTHS, A TASK FORCE OF SCRAP PROCESSORS AND CONSUMERS. THIS GROUP WOULD ANALYZE THE REPORT AND RECOMMEND WHAT ACTION THE GOVERNMENT MIGHT TAKE TO BETTER ACHIEVE THE GOALS . . . AS SUGGESTED BY THE CONCEPT OF A NATIONAL RECYCLING POLICY.

I BELIEVE THE CONTRIBUTION CARI MEMBERS MAKE TO ENERGY AND RESOURCE CONSERVATION MEANS THAT THE FUTURE OF YOUR INDUSTRY IS SECURE.

WHEN I HEAR THE FORECASTS FOR YOUR INDUSTRY, I WONDER IF PEOPLE SHOULD SELL GOLD . . . AND BUY SCRAP.

\* \* \* \* \*

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Subject/Sujet

STRENGTHENING CANADA/JAPAN ECONOMIC RELATIONS



NOTES FOR AN ADDRESS

BY

THE HONOURABLE EDWARD C. LUMLEY

MINISTER OF STATE FOR TRADE

TO A

LUNCHEON MEETING OF THE

OSAKA (JAPAN) CHAMBER OF COMMERCE AND INDUSTRY

AND

THE CANADA/JAPAN SOCIETY OF KANSAI

OSAKA, JAPAN

JUNE 19, 1981

CHECK AGAINST DELIVERY



Mr. Chairman, head table, members of the Osaka Chamber of Commerce and Industry, members of the Canada/Japan Society of the Kansai, and guests.

I am very pleased to be here in Osaka at last, I must thank you for the understanding you showed last October when last-minute responsibilities forced me to postpone my planned visit.

As a former businessman, I feel very much at home in Osaka -- a great city that has business as its *raison d'être*. Osaka is also still well remembered by Canadians for Expo 70.

I have come to Osaka, Kobe and Kyoto on my visit to Japan because I believe that Canada must do more to promote its economic links with the Kansai area. We have not been idle. Just last month, my colleague, Charles Lapointe, the Minister of State for Small Business and Tourism, was in Osaka to promote travel to Canada. Shortly after, a seminar on the Canadian investment climate and scope for entrepreneurial migration was held here at the Chamber. Last week, Kobe's Portopia celebrated Canada Day. Another event was the inauguration of another Canadian 2 x 4 demonstration home project -- this time in Myodani. This is part of an ambitious, ongoing co-operative program with Japanese government and industry to expand acceptance of Canadian technology in Japan. In October a carpet and floor covering show, organized at our Canada Trade Centre in Tokyo, will again be brought to Osaka as part of our effort to encourage Canadian manufacturers to focus on the attractive Kansai market. Another dimension is the establishment by Kwansei Gakuin University of a position of Visiting Professor of Canadian Studies, accompanied by introduction of courses on Canadian history and politics.

#### Strengthening Canada/Japan Economic Relations

I would like to use the Japanese word "Kyooka" (strengthening) as the theme of my remarks today. Canada and Japan have, I believe, already established a strong, important and essentially positive relationship. A high degree of interdependence is part of this. But we cannot rest on our laurels. Exciting and important

opportunities exist to further strengthen our relationships. One particularly central factor will be energy. I propose therefore to look briefly at the current state of our relationship, examine how our interdependence should grow, and consider the implications and opportunities of energy for our relations in the 1980s.

The dimensions of the Canada/Japan economic relationship are already very significant. Japan has grown to be Canada's second largest trading partner -- second only to the United States. At the same time we are Japan's third largest supplier after the United States and Australia -- if oil exporting countries are excluded. As well, we are beginning to achieve the diversity and breadth envisaged by our two Prime Ministers when they signed the Framework for Economic Co-operation in 1976. Our trade has not only grown steadily but it has broadened to encompass new items. Some shift is evident in Canadian exports towards processed materials. Sales of Canadian manufactured goods, both end product and semi-processed, have increased substantially. There has also been growth in Japan's direct investment in Canada -- though at some \$800 million, it still constitutes a small proportion relative to total foreign investment in Canada.

This increasingly close relationship has been strengthened by increased dialogue and personal contact ... in both the public and private sector. As a former businessman, I take special note of the crucial and very active private sector role, evidenced particularly by the highly successful Canada/Japan Businessmen's Conference. I had very positive and substantive exchanges with the Japanese Chairman (Mr. H. Makita) and Vice Chairman (Mr. E. Hashimoto) in Tokyo on Wednesday.

At the Governmental level, the tempo of exchanges continues to increase. Prime Minister Suzuki was in Ottawa last month, only a year after the visit by your late Prime Minister, Mr. Ohira. My colleague, the Minister of Industry, Trade and Commerce, Mr. Gray, visited Japan last August -- reciprocated subsequently in January by the Minister of International Trade and Industry, Mr. Tanaka. Ministerial exchanges of this type -- by both federal and provincial ministers -- have been supported by regular bilateral



meetings. Much of the dialogue involves both government and industry. For example, only the day before yesterday, I attended the closing session of the fifth meeting of the Canada/Japan Housing Committee. This has been a very productive forum -- involving both governments and industry -- for the exchange of views on housing, particularly Canadian techniques for timber frame or 2 x 4 housing. Canadian exports of softwood lumber to Japan were \$500 million last year, double that of two years ago.

All in all, we have considerable room to be satisfied with the existing strength of our relationship.

### Interdependence

Interdependence is one thing which contributes greatly to the strength of our bilateral relations. Some see this resulting from "natural complementarity". While true, it does not go far enough. Clearly, the existing trade reflects Canada's strengths in areas such as minerals, agriculture, forestry and fisheries, and Japan's undoubted excellence in many areas of manufacturing. Today, however, interdependence among industrialized countries is more complex. I have been impressed with these wider dimensions as I have travelled extensively during the last 14 months as Minister of State for Trade.

One aspect of this interdependence is the tremendous growth in the last 10-15 years in trade between industrialized countries in the same types of products. In our highly advanced and innovative societies, an immense variety of requirements exists. There is frequently a place for a different or specialized product that responds to a particular consumer or industrial need. In M.I.T.I.'s recently released white paper on trade, M.I.T.I. calls for an increase in imports of this type into Japan. M.I.T.I. calls it "horizontal division of labour". In this light, it is not surprising to me that at Portopia in Kobe one of the most popular pavillions -- the Daiei pavillion -- has a Canadian projection system. Nor that we have had successful shows at our Canada Trade Centre in Tokyo in areas such as electronic instrumentation,

computer peripherals, communications equipment, ocean technology, aerospace and defense products. Moreover -- as you may know -- I have brought a Canadian telecommunications mission to Japan in order that our suppliers might begin to pursue the \$3 billion annually in opportunities with Nippon Telegraph and Telephone (NTT).

There are increasing opportunities too for Canadian and Japanese firms to co-operate in pursuing capital projects in Third Countries. This is something that I have been encouraging as a matter of policy. Having been associated with some concrete examples involving Canada and Japan in the last year, I am happy to see this activity is on the increase... particularly on the Pacific Rim. The Pacific Rim and Southeast Asia are of particular priority to Canada in its trade expansion. In order to pursue this concept further, I met Wednesday with the Japan Machinery Exporters Association. The JMEA is positively disposed toward co-operation and I will be arranging contact with a group which has been formed in Canada with a view to commencing exchanges. Sectors of interest to us include power generation, telecommunications, transportation, mining, forestry -- all areas in which Canada has established herself as being internationally competitive. I have no hesitancy in saying that in the sectors indigenous to Canada we can compete with anyone in the world.

Greater global and bilateral interdependence in areas such as these only heightens the need for greater sensitivity to other's objectives and interests ... and for deeper personal understanding.

The perception persists in many quarters in Canada (and elsewhere) that Japan lags in the internationalization of its economy. Those holding this view cite that the Canadian market has been among the most open to Japan but that, beyond the products Japan needs to buy from Canada, the Japanese market is all but closed. The facts, of course, are that Japan has taken very considerable steps to open its economy in the relatively short period of 10 years or so. Major steps have been taken to liberalize the import regime. Progress, I am pleased to say, continues. Nippon Telegraph and Telephone explained quite fully to the Canadian

telecommunications mission this week its requirements. The agreement on government procurement reached in the Multilateral Trade Negotiations extends well beyond simply the telecommunications field and we are already seeing an interesting range of tenders by Japanese government agencies. Bilaterally, Canada has been able to establish arrangements recently for the testing in Canada to Japanese standards of some Canadian electrical products, thereby facilitating their export to Japan. We are finding that Canadian suppliers of manufactured products who make serious efforts in Japan are meeting with success. I cannot, therefore, support a simplistic view that, at best, is outdated.

If indeed, I may speak very frankly, I have sensed during my visit a very definite change in attitude in Japan. Your government, and senior businessmen in particular, have been most responsive to our government's goals of further processing our resources and selling manufactured goods. Discussions have shown a full understanding regarding Canadian objectives for our bilateral relationship with Japan. The climate is indeed positive and a refreshing change from the past. Perhaps the best indication of the changed attitude is the Japanese businessmen who were highly critical five years ago of Canadian aggressiveness and competitiveness in the Japanese market. These same business leaders have now told me that we Canadians are making the effort. We are competitive, and that is paying off.

There are, none the less, constraints which remain which give credence to sceptical views at a time when our interdependence continues to grow. In Canada's case, we still see the need in particular for adjustments which would provide greater assurance of access for certain agriculture, fishery and forestry products. Canada is a major supplier to Japan and our mutual objective should be to increase stability of our trade. I have had the opportunity to raise these concerns during my visit. From our perspective, it is important that Japan maintains the momentum toward liberalization and leaves no room for doubt on others' part that increased interdependence will be based on a balance of national interest, on the one hand, and responsiveness to others' legitimate interests on the other.

This type of balance has been satisfactorily achieved in containing the present problems in the automotive sector. We still must look, in the longer run, however, to a positive response from Japanese industry in terms of further parts purchasing and investment in Canada.

### Energy

An important key to the growth and strengthening of our relationships will be energy. I see it as having many varied dimensions. It is not simply the potential which exists for Canada to supply energy commodities to Japan. Rather, energy encompasses a wide spectrum of significant new opportunities.

Canada is probably better endowed with energy resources than any other industrialized country. Overall, Canada is a net exporter of energy commodities. We, none the less, still face important challenges. The Canadian Government's response has been the new National Energy Program which has been the subject of much attention in Canada. One important goal of the National Energy Program is to make Canada self-sufficient in oil by 1990.

I am very pleased to note the generally positive understanding of the National Energy Program shown by Japanese industrialists and trading companies. The confidence demonstrated by Arctic Petroleum Ltd. -- whose shareholders include companies from the Kansai area -- in supporting a major exploration and development program in the Beaufort Sea in the Canadian Arctic is most encouraging.

I am also encouraged to see the co-operation between Canadian and Japanese firms in developing together proposals which would produce important industrial benefits for Canada in conjunction with the export to Japan of LNG, if the LNG is shown to be surplus to our own requirements. The Canadian Government places particular emphasis on maximizing the industrial benefits associated with major resource development projects -- many of them in the energy field. Hundreds of millions of dollars of investment



is projected, constituting an important market for plant, machinery, construction equipment and so forth. The Canadian Government's wish is to see the further development of Canadian technological and manufacturing capability related to these resource-based projects.

These projects demonstrate quite clearly that there are opportunities for others to share with us in realizing the full potential of our energy resources.

Already, of course, we have a close and valuable relationship in metallurgical coal with the Japanese steel industry which has been further strengthened by the recent conclusion of major new contracts for Northeast British Columbia and Alberta coal. The development, in addition of our important thermal coal resources, offers promise.

Canada is also an important supplier of uranium to Japan. Here, too, there are opportunities to diversify and strengthen our relations.

There are other important dimensions to our co-operation in energy. Firstly, it is clear that our secure and highly competitive energy costs provide the basis to examine closely the opportunities for further processing of our energy and mineral resources prior to export -- particularly those that are highly energy intensive. Our objective is to achieve further processing in Canada where this is economically feasible. Petrochemicals and aluminum are but two examples. We see our objectives as complementary to the change that is likely to occur in Japan's industrial structure. Indeed, the involvement of Japanese industry in such mutually beneficial projects is something that logically flows from our current intercorporate links in metals and minerals trade. At the governmental level, we have begun a dialogue in the Working Group on Resource Processing, which met for the first time in March in Japan.

Secondly, there is considerable scope for joint industrial and technical collaboration between Canada and Japan in the



energy field. One aspect of this is Canada's proven and world competitive nuclear reactor technology -- CANDU -- which we sincerely believe could contribute in a meaningful way to meeting Japan's overall energy needs. Our government considers the sale of CANDU to Japan to be an important step in the development of a more sophisticated bilateral commercial relationship. We are encouraged with the progress being made in studies in Japan on the CANDU. We certainly hope that further and comprehensive studies will be carried forward. This will be much appreciated and welcomed by Canada.

Another promising area for joint technical collaboration is coal liquifaction, an area to which Japan is giving considerable emphasis and in which Japan will in all probability emerge as a world leader.

Finally, there is little doubt that Canada's competitive and secure energy supply is an important reason why Japanese business should be examining the potential for manufacturing investment in Canada. It is, however, only one of many reasons. Among others, we have an attractive corporate tax climate; the lower value of the Canadian dollar has greatly enhanced Canadian competitiveness; we also possess a mature industrial base, skilled labour force, competitive and secure sources of raw materials, sophisticated infrastructure, readily available industrial sites and well-developed financial markets. We want Canada to be among the North American sites that you evaluate for any investment.

It is abundantly clear to me there are many opportunities that can be fashioned to meet both Canada's and Japan's objectives. We have a strong base on which to build. At the same time, our growing global and bilateral interdependence challenges us to become even more sensitive to each other and more responsive to our respective policies and needs ... in order that we will continue to find -- as we have before -- mutual benefit.

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For release/Pour publication

Subject/Sujet

NOTES FOR A SPEECH

BY

THE HONOURABLE HERB GRAY, P.C., M.P.

MINISTER OF INDUSTRY, TRADE AND COMMERCE

TO

THE 76TH ANNUAL MEETING

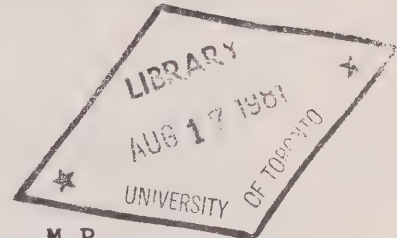
OF

THE CANADIAN URBAN TRANSIT ASSOCIATION

HOTEL LOEWS LE CONCORDE

QUEBEC CITY

MONDAY, 22ND OF JUNE, 1981



CHECK AGAINST DELIVERY



I WELCOME THE OPPORTUNITY TO SPEAK TO THE CANADIAN URBAN TRANSIT ASSOCIATION . . . THE NATIONAL VOICE OF THE TRANSIT INDUSTRY.

FOR OVER 100 YEARS, MILLIONS OF CANADIANS ACROSS THE COUNTRY HAVE ENJOYED THE USE OF PUBLIC TRANSIT . . . FROM THE HORSECARS OF THE 1880S, TO THE LIGHT RAIL TRANSIT SYSTEMS OF THE 1980S.

MY OWN CITY, WINDSOR, LAYS CLAIM TO BEING THE FIRST IN CANADA TO SEND THE HORSES OUT TO PASTURE, AND INTRODUCE THE LATEST IN HIGH TECHNOLOGY OF THE DAY, THE ELECTRIC STREETCAR. THAT WAS IN 1886. THE POWER WAS SUPPLIED TO THE WINDSOR-WALKERVILLE PASSENGER RAILWAY BY HIRAM WALKER AND SONS, FOR FIVE DOLLARS A DAY.

AND WINDSOR WAS ONE OF THE FIRST TO CONVERT ITS PUBLIC TRANSIT SYSTEM COMPLETELY TO BUSES . . . WHICH WERE MANUFACTURED IN WINDSOR . . . IN 1938.

THE CURRENT HIGH LEVELS OF SERVICE AND INDUSTRY ACHIEVEMENT HAVE COME ABOUT THROUGH THE COMBINED EFFORTS OF THE PUBLIC AND PRIVATE SECTORS. THESE PRIVATE AND PUBLIC SECTOR EFFORTS HELP KEEP PUBLIC TRANSIT MORE HEALTHY IN CANADA THAN IN THE U-S-A.

THIS IS ONE REASON WHY CANADA TODAY IS A WORLD LEADER IN THE MANUFACTURE OF PUBLIC TRANSIT EQUIPMENT, AND THE DEVELOPMENT AND OPERATION OF PUBLIC TRANSIT SYSTEMS.

OUR MANUFACTURERS RANGE ACROSS THE COUNTRY . . . FROM CANADIAN VICKERS AND BOMBARDIER, HERE IN THE PROVINCE OF QUEBEC; TO ONTARIO BUS INDUSTRIES, GENERAL MOTORS, AND HAWKER-SIDDLEY IN ONTARIO; AND FLYER INDUSTRIES IN MANITOBA.

THE VEHICLES RANGE FROM BUSES AND STREETCARS, TO LIGHT RAIL VEHICLES AND PEOPLE-MOVERS. THE COMPLEMENTARY INFRASTRUCTURE AND SYSTEMS HELP TO ENSURE RELIABLE, EFFICIENT AND VIABLE TRANSIT, IN COMMUNITIES OF PRACTICALLY EVERY SIZE.

URBAN TRANSPORTATION SYSTEMS VARY, FROM A TWO-BUS OPERATION IN A TOWN; TO A COMPLEX NETWORK IN A CITY, COMBINING VARIOUS MODES OF TRAVEL INTO A FULLY-INTEGRATED, SOPHISTICATED SERVICE.

IN MONTREAL, THE METRO WILL BE EXPANDING INTO A TRUE REGIONAL SYSTEM, WITH THE ADDITION OF COMMUTER RAIL LINES FROM THE SUBURBS.

IN METRO TORONTO, SCARBOROUGH COUNCIL HAS JUST DECIDED ON THE ADVANCED LIGHT RAPID TRANSIT SYSTEM, DEVELOPED BY THE ONTARIO GOVERNMENT'S URBAN TRANSPORTATION DEVELOPMENT CORPORATION.

AND IN B-C, THE CHOICE OF THE SAME ONTARIO DEVELOPED SYSTEM BY THE GREATER VANCOUVER REGIONAL DISTRICT, CAME ABOUT WITH THE ACTIVE SUPPORT OF THE FEDERAL GOVERNMENT.

THE FEDERAL GOVERNMENT HAS COMMITTED 60-MILLION DOLLARS TO THE VANCOUVER A-L-R-T PROJECT FOR THREE REASONS:

- \* TO BRING ABOUT THE SELECTION OF CANADIAN URBAN TRANSIT TECHNOLOGY.
- \* TO HELP PROVIDE A SYSTEM TO DEMONSTRATE CANADIAN TECHNOLOGY TO THE WORLD, IN CONNECTION WITH THE TRANSPO '86 WORLD'S FAIR IN VANCOUVER. THIS WILL BE THE FIRST TIME THIS TECHNOLOGY WILL BE DEMONSTRATED, AS AN OPERATING, REVENUE-PRODUCING SYSTEM, TO POTENTIAL BUYERS FROM AROUND THE WORLD
- \* TO ESTABLISH AN INDUSTRIAL DEVELOPMENT PROJECT, ENCOURAGING PRODUCTION OF ITS COMPONENTS BY FIRMS IN B-C AND THROUGHOUT CANADA . . . BOTH FOR ITS CONSTRUCTION, AND FOR THE CONSTRUCTION OF THESE SYSTEMS. WE WANT TO SELL THEM TO BUYERS WHO SEE IT IN OPERATION IN VANCOUVER.



A NATIONAL OBJECTIVE, SHARED BETWEEN ALL SECTORS OF YOUR INDUSTRY . . . TRANSIT OPERATORS, AND MANUFACTURERS; AS WELL AS MUNICIPAL, PROVINCIAL AND FEDERAL GOVERNMENTS . . . SHOULD BE TO DEFINE THE BEST USES OF PUBLIC AND PRIVATE TRANSPORTATION, AND THEIR COMPLEMENTARY ROLES IN THE FUTURE.

THE ROLE OF PUBLIC TRANSIT IS BECOMING INCREASINGLY IMPORTANT IN URBAN AREAS, ESPECIALLY IN CITY CORES. OBVIOUSLY, IT CAN REDUCE CONGESTION, EXPENSE AND JOURNEY TIME.

IN SPITE OF THE FACT THAT THIS IS A LARGE COUNTRY, WITH A RELATIVELY SMALL POPULATION, ALMOST 75 PER CENT OF CANADIANS LIVE AND WORK IN URBAN AREAS.

WITH HIGHER ENERGY COSTS, PUBLIC TRANSIT WILL PLAY AN EVEN BIGGER ROLE IN THE FUTURE.

PUBLIC TRANSIT INCREASINGLY SERVES AS PRIMARY TRANSPORTATION FOR MANY PEOPLE. IT CAN PROVIDE MANY OF THE ROUTINE DAILY COMMUTING NEEDS OF URBAN DWELLERS.

OUR URBAN TRANSPORTATION PROBLEMS . . . AND THE SOLUTIONS WE HAVE FOUND FOR THEM . . . ARE VERY RELEVANT TO MEETING THE NEEDS OF PEOPLE LIVING IN CITIES AROUND THE WORLD.

THE WORLD MARKET FOR URBAN TRANSIT IS ACCELERATING; THE POTENTIAL IN THE NEXT 15 YEARS IS EXPECTED TO EXCEED 100-BILLION DOLLARS.

SOME OF THE BEST CURRENT PROSPECTS FOR CANADIAN FIRMS ARE

IN LATIN AMERICA -- MEXICO, COLUMBIA, VENEZUELA, PERU;

AND IN AFRICA -- UNITED ARAB REPUBLIC, NIGERIA.

IN THE UNITED STATES, MANY COMMUNITIES ARE COMMITTED TO MOVE MORE PEOPLE, MORE EFFICIENTLY, MORE SAFELY, MORE RELIABLY, MORE ECONOMICALLY.

AND SOME OF THE MORE INNOVATIVE CONCEPTS, WHICH MEET AMERICAN NEEDS, HAVE BEEN DEVELOPED IN CANADA.

EXAMPLES ARE:

- \* THE LIGHT RAIL SYSTEM IN PORTLAND, OREGON
- \* THE A-L-R-T SYSTEM FOR DETROIT. I'M TOLD THE FINAL CONTRACT SIGNING IS CLOSE. BY THE WAY, THE FEDERAL GOVERNMENT'S TRADE COMMISSIONER IN DETROIT HAS BEEN PLAYING A MAJOR ROLE IN THIS SALES EFFORT. IN FACT, IT'S AN EXCELLENT EXAMPLE OF THE CO-OPERATION OF INDUSTRY AND PROVINCIAL AND FEDERAL GOVERNMENTS.
- \* COMPONENTS FOR NEW APPLICATIONS AND RETRO-FITS FOR EXISTING SYSTEMS.
- \* THE P.A.T.C.O LINE FROM PHILADELPHIA TO NEW JERSEY . . . ONE OF THE MOST EFFICIENT SYSTEMS IN THE U-S-A, IT'S USING CANADIAN VICKERS VEHICLES.

MANY AMERICAN SYSTEMS ARE USING BUSES, TROLLEY BUSES, SUBWAY CARS, AND COMMUTER RAIL VEHICLES, MADE IN CANADA.

THE TRACK RECORD OF CANADIAN MANUFACTURERS IN MEETING NORTH AMERICAN STANDARDS PUTS US IN AN EXCELLENT POSITION TO MEET REQUIREMENTS ANYWHERE.

OUR INDUSTRY IS FLEXIBLE: CANADIAN MANUFACTURERS CAN PROVIDE CUSTOM PRODUCTION FOR SMALL ORDERS; CAN RE-DESIGN FOR LOCAL REQUIREMENTS, INCLUDING DESIGN FOR EXTREME CLIMATES . . . THEY HAVE DEVELOPED A COMPETITIVE EDGE.

OUR MANUFACTURERS ENJOY AN EXCELLENT REPUTATION ABROAD. ONE REASON IS HIGH PERFORMANCE AND RELIABILITY OF EQUIPMENT, PRODUCED TO THE SPECIFICATIONS OF TRANSIT OPERATORS ACROSS CANADA.

WHAT DO WE HAVE TO DO TO MEET OUR OWN NEEDS, AND OBTAIN A GROWING SHARE OF WORLD MARKETS FOR URBAN TRANSIT EQUIPMENT AND SYSTEMS?

WE MUST CONTINUE TO MARKET AGGRESSIVELY

- . WE MUST CAPITALIZE ON OUR PROVEN CAPABILITY IN PROJECT MANAGEMENT
- . WE MUST DEVELOP FINANCIAL RESOURCES TO MEET FOREIGN COMPETITION
- . WE NEED CONTINUING EFFORTS BY CUTA, IN SUCH AREAS AS CO-ORDINATION OF RESEARCH AND DEVELOPMENT
- . AND WE NEED THE CO-OPERATIVE EFFORTS OF ALL . . . MANUFACTURERS; OPERATORS; AND MUNICIPAL, PROVINCIAL AND FEDERAL GOVERNMENTS.

THE FEDERAL GOVERNMENT AND THE DEPARTMENT OF INDUSTRY, TRADE AND COMMERCE ARE WORKING ACTIVELY TO HELP YOUR INDUSTRY GET A GROWING SHARE OF WORLD MARKETS.

THE RECENT SALE BY BOMBARDIER OF 180 SUBWAY CARS TO MEXICO CITY IS A MAJOR ACHIEVEMENT. IT IS THE FIRST MAJOR TRANSIT SALE BY A CANADIAN CAR BUILDER OUTSIDE CANADA AND THE U-S-A.

EARLIER, B.G. CHECO HELPED OPEN UP THE MEXICAN MARKET WITH A CONTRACT FOR FARE COLLECTION EQUIPMENT.

WE WERE PLEASED TO HELP BOMBARDIER OBTAIN THE CONTRACT FROM MEXICO CITY. MY COLLEAGUE, ED LUMLEY, THE MINISTER OF STATE FOR TRADE, PLAYED A KEY ROLE IN THE FINAL STAGES OF THIS COMPLEX TRANSACTION. HE MET SEVERAL TIMES WITH GOVERNMENT LEADERS HERE AND IN MEXICO TO ADVANCE NEGOTIATIONS.

AND WE ARE CURRENTLY PROVIDING MARKETING ASSISTANCE FOR OTHER PROMISING PROJECTS . . . IN LATIN AMERICA, EUROPE, AFRICA, ASIA . . . VIRTUALLY EVERY CONTINENT.

IN CANADA, THERE HAVE BEEN SOME FAVOURABLE DEVELOPMENTS RECENTLY, WHICH WILL HELP CANADIAN MANUFACTURERS BOTH AT HOME AND ABROAD.

THE DECISION TO CHOOSE THE ADVANCED LIGHT RAPID TRANSIT SYSTEM FOR VANCOUVER, IS A BREAKTHROUGH.

IT BRINGS TOGETHER BRITISH COLUMBIA AND ONTARIO; THE FEDERAL GOVERNMENT; AND INDUSTRY MEMBERS FROM ACROSS CANADA - IN A PARTNERSHIP WHICH CAN BENEFIT ALL.

AND IT WILL BE THE SHOWPIECE OF CANADIAN TECHNOLOGY AT TRANSPO 86 IN VANCOUVER. THE THEME OF THIS WORLD'S FAIR IS MAN IN MOTION. IT PROVIDES AN EXCELLENT OPPORTUNITY TO WORK TOGETHER IN A NATIONAL EFFORT TO DEMONSTRATE WHAT WE CAN DO. THE FEDERAL GOVERNMENT IS HELPING CO-ORDINATE THE FAIR'S ORGANIZATION.

FROM MAY TO SEPTEMBER, 1986, THE CANADIAN TRANSPORTATION INDUSTRY WILL HAVE CENTRE STAGE TO PROMOTE EXISTING SYSTEMS AND NEW TECHNOLOGY. THE WORLD IS EAGER FOR MORE EFFICIENT, RELIABLE AND DESIRABLE TRANSIT. WE LOOK FORWARD TO WORKING WITH YOU, TO MAKE THE MOST OF THIS OPPORTUNITY.

MEANWHILE, WE HAVE SOME CHALLENGES TO FACE:

WE HAVE EXCESS CAPACITY -- ENOUGH NOW TO MEET DEMAND EXPECTED FOR THE NEXT FIVE-TO-TEN YEARS.

WE HAVE A FRAGMENTED INDUSTRY -- THIS MAKES IT DIFFICULT TO COMPETE WITH ESTABLISHED CONSORTIA ABROAD. COMPANIES ARE GOING IT ALONE IN BIDDING FOR FOREIGN CONTRACTS, RATHER THAN POOLING THEIR RESOURCES FOR EFFECTIVE JOINT VENTURES.



WE HAVE A FRAGMENTED DOMESTIC MARKET -- IN THE PAST, PROVINCIAL BUYING PREFERENCES HAVE BEEN AN OBSTACLE FOR BIDDERS FROM OTHER PROVINCES. THIS MAKES IT DIFFICULT TO FORM A BASE TO COMPETE ABROAD.

THE "BUY AMERICA" PROVISIONS IN U-S FEDERAL LAW, PERMITTING FEDERAL GOVERNMENT FINANCIAL ASSISTANCE FOR LOCAL TRANSIT SYSTEMS IN THAT COUNTRY, COULD BECOME A SERIOUS BARRIER. CANADIAN MANUFACTURERS OF URBAN TRANSIT BUSES IN PARTICULAR, ARE ENCOUNTERING MARKETING PROBLEMS.

THE SPORADIC SALES PATTERNS IN THE ENTIRE NORTH AMERICAN MARKET MAKE EFFECTIVE MARKETING EFFORTS DIFFICULT. BUDGET CUTBACKS, BY THE URBAN MASS TRANSIT ADMINISTRATION OF THE U-S GOVERNMENT, HAVE BECOME A GRAVE CONCERN FOR A NUMBER OF HEAVILY-SUBSIDIZED U-S TRANSIT PROPERTIES, AND THEIR SUPPLIERS.

THESE ALL CREATE PROBLEMS FOR MANUFACTURERS . . . IN PLANT UTILISATION, EMPLOYMENT, CASH FLOW, AND RETURN ON INVESTMENT.

AND WE HAVE TO MEET INTERNATIONAL COMPETITION IN BID AND PERFORMANCE BONDING, AND FINANCING.

THE FEDERAL GOVERNMENT HAS BEGUN TAKING STEPS TO PROVIDE THE ADDITIONAL SUPPORT YOU NEED TO SUCCEED ABROAD.

WE ANNOUNCED LAST JANUARY THAT THE FEDERAL GOVERNMENT WILL PROVIDE FUNDS TO MATCH CONCESSIONAL TERMS OFFERED BY OTHER GOVERNMENTS.

FINANCING FOR UP TO 900-MILLION DOLLARS IN CONTRACT SIGNINGS WILL BE AVAILABLE IN THE NEXT THREE YEARS, THROUGH THE EXPORT DEVELOPMENT CORPORATION, WHERE IT IS CLEAR THAT COMPETITORS ARE USING SIMILAR INCENTIVES.

WE HAVE GREATLY INCREASED FUNDING FOR MY DEPARTMENT'S PROGRAMS FOR EXPORT MARKET DEVELOPMENT AND TRADE FAIRS AND MISSIONS. OVER THE NEXT TWO YEARS, MORE THAN 50-MILLION DOLLARS WILL BE AVAILABLE TO HELP CANADIAN COMPANIES.

THERE ARE THE ADDITIONAL FINANCING SERVICES OF THE EXPORT DEVELOPMENT CORPORATION; AND THE FEDERAL TRADE COMMISSIONERS, WHO REPRESENT YOU IN NEARLY EVERY COUNTRY IN THE WORLD.



WE HAVE COMMITTED 500-THOUSAND DOLLARS TO PROVIDE FULL SUPPORT TO THE CANADIAN EXHIBITORS AT THE INTERNATIONAL PUBLIC TRANSIT EXPO 81 IN CHICAGO IN OCTOBER. AS MANY OF YOU ARE AWARE, MORE THAN 16-THOUSAND SQUARE FEET HAS BEEN LEASED BY THE FEDERAL GOVERNMENT, AND WILL BE USED BY 22 COMPANIES TO DISPLAY CANADIAN TECHNOLOGY.

WE ARE PRODUCING, JOINTLY WITH THE MANUFACTURERS, A NEW FILM DEPICTING THE CANADIAN EXPERIENCE IN URBAN TRANSIT.

WE ARE PUBLISHING THE FIRST CATALOGUE OF THE INDUSTRY.

AND WE HAVE A BRAND-NEW SELLING TOOL --- TELIDON. A DATA BANK WILL DISPLAY THE ACHIEVEMENTS OF THE URBAN TRANSIT INDUSTRY FOR BUYERS. THIS IS THE FIRST SUCH APPLICATION OF THIS HIGH TECHNOLOGY SYSTEM, DEVELOPED BY THE FEDERAL GOVERNMENT . . . WE ARE SUPPORTING TELIDON WITH AN ADDITIONAL 27-MILLION DOLLARS.

WE ARE WORKING HARD NOW TO HAVE ALL THESE READY FOR THE CHICAGO TRANSIT EXPO.

THIS IS ONE OF THE LARGEST SINGLE MARKETING ASSISTANCE PROJECTS WE HAVE EVER UNDERTAKEN FOR ANY INDUSTRY.

SO WE ARE WORKING TO BRING TOGETHER ALL THE PLAYERS . . . MANUFACTURERS, OPERATORS, AND OTHER LEVELS OF GOVERNMENT . . . IN STRONG CO-OPERATIVE AND CONSULTATIVE EFFORTS. WE ARE WORKING TO ENCOURAGE THE DEVELOPMENT OF PROJECTS WHICH BRIDGE PROVINCIAL BOUNDARIES, AS WELL AS THOSE WHICH HELP GENERATE SUBSTANTIAL EXPORT SALES.

THESE EFFORTS HELP CANADIAN COMPANIES TO IDENTIFY NEW MARKETS, PARTICIPATE IN TRADE FAIRS, AND SHARE THE COST OF FOREIGN BUYERS COMING TO CANADA.

WE SUPPORT RESEARCH AND DEVELOPMENT PROJECTS, THROUGH OUR ENTREPRISE DEVELOPMENT PROGRAM, FOR EXAMPLE.

WE ARE WORKING AT CREATING AN INTERNATIONAL FRAMEWORK TO REDUCE TRADE BARRIERS; TO FACILITATE JOINT VENTURES; AND TO EXCHANGE INFORMATION AND TECHNOLOGY.

I AM PLEASED TO BE ABLE TO ANNOUNCE HERE TODAY, THE FORMATION OF A CANADA/E-E-C WORKING GROUP ON URBAN TRANSPORTATION.

IT WILL HAVE ITS FIRST FORMAL MEETING IN SEPTEMBER IN BRUSSELS. THIS FOLLOWS AN INVITATION FROM THE E-E-C FOR A VISITING CANADIAN MISSION.

WE ARE TAKING STEPS TO TRY TO REDUCE THE EFFECTS OF THE "BUY AMERICA" AND THE "BUY NATIONAL" STATE LAWS. I HAVE RAISED OUR CONCERNS ABOUT THESE MATTERS WITH U-S CABINET OFFICERS, IN BOTH THE PREVIOUS CARTER ADMINISTRATION, AND THE NEW REAGAN ADMINISTRATION .

CUTA'S ROLE IN HELPING DEVELOP THE MANUFACTURING AND EXPORT SALES POTENTIAL OF YOUR INDUSTRY IS IMPORTANT. IT HAS BEEN INVOLVED IN SUCH MATTERS AS HELPING TO FIND SOLUTIONS TO THE "BUY AMERICA" ISSUE; DISCUSSIONS WITH PROVINCES REGARDING NATIONAL ISSUES; LIAISON WITH THE AMERICAN PUBLIC TRANSIT ASSOCIATION; AND THE IDENTIFICATION OF NEW PRODUCTS AND SERVICES FOR THE INDUSTRY.

IN PREPARING FOR THIS MEETING, I WAS STRUCK BY THE LACK OF AN OVERALL DATA BASE FOR THE INDUSTRY. I WAS GLAD TO LEARN THAT CUTA PLANS TO GATHER PRODUCTION AND MARKET DATA . . . IT WILL BE OF GREAT BENEFIT TO THE MEMBERSHIP. I HAVE ASKED MY DEPARTMENT TO WORK WITH YOU AND ASSIST YOU IN THIS PROJECT.

I WANT TO COMMEND CUTA FOR ITS WILLINGNESS TO TAKE A MORE DYNAMIC LEADERSHIP ROLE.

WE WANT TO WORK EVEN MORE CLOSELY WITH YOU. AS A MEASURE OF OUR INTEREST, MY DEPARTMENT IS JOINING TRANSPORT CANADA IN BECOMING A MEMBER OF THE ASSOCIATION.

WE WANT TO HELP CUTA FOLLOW THROUGH ON YOUR RECENT ACCOMPLISHMENTS UNDER THE LEADERSHIP OF MIKE WARREN.

HIS ACHIEVEMENTS WITH THE TORONTO TRANSIT COMMISSION, AS CHIEF GENERAL MANAGER, AUGUR WELL FOR HIS APPOINTMENT AS HEAD OF THE NEW POST OFFICE CORPORATION. I KNOW I SPEAK FOR EVERYONE WHEN I OFFER HIM OUR CONGRATULATIONS.

I LOOK FORWARD TO WORKING WITH DON MILLER OF THE EDMONTON TRANSIT COMMISSION, WHO, I UNDERSTAND, HAS BEEN NOMINATED AS THE NEXT PRESIDENT OF CUTA.

THE INDUSTRY CERTAINLY HAS ACCOMPLISHED A GREAT DEAL SINCE THE HORSECARS OF THE TURN OF THE CENTURY.

AND THERE HAS BEEN A DRAMATIC ACCELERATION OF TECHNOLOGICAL DEVELOPMENT IN THE LAST FEW YEARS.

YOUR SUCCESSES HAVE OPENED THE DOOR TO AN ALMOST UNLIMITED POTENTIAL.

REALIZING THAT POTENTIAL WILL TAKE THE CO-OPERATION OF MANUFACTURERS, TRANSIT OPERATORS, AND THE MUNICIPAL, PROVINCIAL AND FEDERAL GOVERNMENTS.

I AND MY DEPARTMENT ARE READY TO WORK WITH THE ASSOCIATION, THE INDUSTRY, AND WITH MUNICIPAL AND PROVINCIAL GOVERNMENTS, TO HELP ACHIEVE OUR COMMON OBJECTIVES:

- . TO DEVELOP A STRONG DOMESTIC INDUSTRY
- . TO MEET FULLY THE NEEDS OF THE CANADIAN MARKET
- . TO ACHIEVE MAXIMUM POSSIBLE EXPORT SALES.

THE GOVERNMENT OF CANADA IS COMMITTED TO PLAY A POSITIVE ROLE IN THE DEVELOPMENT OF THE INDUSTRY.

WE LOOK FORWARD TO HELPING YOU ACCOMPLISH EVEN GREATER ACHIEVEMENTS IN THE 80S . . . ACHIEVEMENTS WHICH WILL BENEFIT THE MANUFACTURERS, THE TRANSIT OPERATORS, AND THE ENTIRE CANADIAN ECONOMY.

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67  
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NOTES FOR A SPEECH

BY

THE HONOURABLE HERB GRAY, P.C., M.P.

MINISTER OF INDUSTRY, TRADE AND COMMERCE

AND

REGIONAL ECONOMIC EXPANSION

TO THE

SPECIAL MEETING OF THE CANADIAN  
AUTOMOTIVE INDUSTRY



GRAND BALLROOM, SHERATON CENTRE HOTEL

TORONTO, ONTARIO

FEBRUARY 9, 1982

TO BE GIVEN ON BEHALF OF THE MINISTER BY RUSSELL MACLELLAN, M.P.  
(CAPE BRETON - THE SYDNEYS), PARLIAMENTARY SECRETARY

CHECK AGAINST DELIVERY





I WOULD LIKE TO THANK THE AUTOMOTIVE PARTS MANUFACTURERS ASSOCIATION FOR INVITING ME TO SPEAK AT THIS SPECIAL MEETING OF THE CANADIAN AUTOMOBILE INDUSTRY. IN PARTICULAR, I WANT TO WELCOME PAT LAVELLE BACK AS PRESIDENT OF THE A.P.M.A. I COMMEND HIM ON HIS EFFORTS IN PARIS FOR THE PAST TWO YEARS. ONTARIO WAS NOT THE SAME WITHOUT PAT, ALTHOUGH I WANT TO ASSURE HIM THAT MORLEY BURSEY HAS DONE AN EXCELLENT JOB IN PRESENTING THE VIEWS OF THE ASSOCIATION.

TODAY WE ARE LOOKING AT THE PROBLEMS FACING THE NORTH AMERICAN AUTO INDUSTRY AND THE SPECIFIC DIFFICULTIES EXPERIENCED BY CANADIAN ASSEMBLERS, PARTS MANUFACTURERS AND LABOUR ALIKE. NO ONE COULD DENY THAT THE INDUSTRY IS GOING THROUGH A DIFFICULT TIME, PERHAPS THE WORST IN ITS HISTORY. INDEED IT MIGHT NOT BE UNREASONABLE TO SUGGEST THAT, GIVEN ITS CENTRAL ROLE IN THE ECONOMIES OF THE TWO COUNTRIES, THE PROBLEMS OF THE INDUSTRY HAVE BEEN AN IMPORTANT ELEMENT IN THE PRESENT ECONOMIC SITUATION IN BOTH THE U. S. AND CANADA.

IN PREPARING FOR THIS MEETING I TOOK A LOOK AT THE SPEECH I GAVE TO THE A.P.M.A. ANNUAL MEETING ON MAY 1, 1980, ONE OF FIRST SPEECHES I GAVE AS MINISTER OF INDUSTRY, TRADE AND COMMERCE. AT THAT TIME I REVIEWED THE STATE OF THE INDUSTRY AND THE ENVIRONMENT WHICH IT FACED. I INDICATED THERE HAD TO BE COOPERATION BETWEEN BUSINESS

AND LABOUR, AND BOTH THE FEDERAL AND PROVINCIAL GOVERNMENTS IN DEALING WITH THE CONCERNS OF THE INDUSTRY. I THEN SET OUT THE FEDERAL GOVERNMENT'S AGENDA IN THIS REGARD OVER THE NEXT FEW YEARS.

THERE WERE FIVE MAIN COMMITMENTS. I SAID THAT I INTENDED TO BEGIN CONSULTATIONS WITH THE U. S. ON THE OPERATION OF THE AUTO PACT, ENCOURAGE NEW PRODUCTIVE INVESTMENT BY THE ASSEMBLERS IN THE UPCOMING RESTRUCTURING PROCESS, ESTABLISH AN AUTO PARTS PROGRAMME, INCREASE OUR EFFORTS AT PROMOTING EXPORTS, AND CONCLUDE A SATISFACTORY AGREEMENT WITH CHRYSLER.

I WOULD LIKE TO REVIEW THE PERFORMANCE OF THE FEDERAL GOVERNMENT AGAINST THESE OBJECTIVES. I STATED AT THE TIME THAT "ALL OUR COLLECTIVE EFFORTS CANNOT FULLY INSULATE US AGAINST AN ECONOMIC DOWNTURN WHICH IS COMING AT A TIME OF MAJOR TECHNOLOGICAL CHANGE." AGAINST THAT BACKDROP I BELIEVE THAT WE HAVE BEEN MEETING OUR COMMITMENTS IN A VERY POSITIVE WAY.

WE BEGAN FORMAL CONSULTATIONS WITH THE U. S. UNDER CLAUSE 4A OF THE AUTO PACT, FIRST WITH THE CARTER ADMINISTRATION, AND THEN LAST YEAR WITH THE REAGAN GOVERNMENT. THERE HAS BEEN CRITICISM OF THE EFFECT OF THE PACT ON THE CANADIAN AUTO INDUSTRY; HOWEVER THE RECORD FOR THE PERIOD SINCE THE AUTO PACT WAS SIGNED SHOWS VERY SUBSTANTIAL INCREASES IN EMPLOYMENT OVER THE EMPLOYMENT LEVELS AT THE TIME THE PACT WAS SIGNED, AND VERY SUBSTANTIAL INCREASES IN INVESTMENT AND PRODUCTION, BOTH IN FINISHED VEHICLES AND PARTS, INCLUDING VERY SUBSTANTIAL INCREASES

IN PRODUCTION. THE GENERAL CONSENSUS OF THOSE OBSERVING THE PACT HAS BEEN THAT, ALTHOUGH THERE ARE PROBLEM AREAS THAT HAVE TO BE ADDRESSED, ON BALANCE IT HAS WORKED WELL FOR CANADA. HOWEVER, BECAUSE WE RECOGNIZE THE VARIOUS PROBLEMS THAT HAVE BEEN IDENTIFIED, WE BEGAN CONSULTATIONS WITH THE UNITED STATES ABOUT IMPROVEMENTS IN AREAS THAT ARE OF CONCERN TO US. WE HAVE ARGUED THE CANADIAN CASE OF THE NEED FOR A FAIRER SHARE OF THE NORTH AMERICAN MARKET, PARTICULARLY ON THE AUTO PARTS SIDE. WE HAVE ATTEMPTED TO SENSITIZE THE AMERICANS TO OUR CONCERNS OVER THE OPERATION OF THE AUTO PACT, AND WILL CONTINUE TO DO SO. A MAJOR OBJECTIVE IS TO WORK TOGETHER TO RESTORE THE HEALTH OF THE TOTAL AMERICAN AUTOMOTIVE INDUSTRY. I BELIEVE THIS RESTORATION OF HEALTH CANNOT COME WITHOUT DUE ATTENTION TO THE STATE OF THE CANADIAN PORTION OF THAT INDUSTRY. THIS MUST BE CENTRAL TO OUR APPROACH TO THOSE CONSULTATIONS. MY COLLEAGUE THE MINISTER OF STATE FOR INTERNATIONAL TRADE AND MYSELF INTEND TO PURSUE THESE CONSULTATIONS OVER THE COMING MONTHS.

WE HAVE BEEN WORKING WITH THE CANADIAN INDUSTRY TO ASSIST IT IN COMPLETING ITS RESTRUCTURING PLANS AND CONVERT ITS OPERATIONS TO THE NEW GENERATION OF FUEL-EFFICIENT VEHICLES. FOR EXAMPLE, IN JANUARY 1981 I ANNOUNCED LIMITED ADJUSTMENTS TO FORD'S AUTO PACT REQUIREMENTS TO ALLOW FORD TO CONVERT ITS OAKVILLE CAR ASSEMBLY PLANT IN 1983 TO FUTURE PRODUCTION OF NEW COMPACT, FRONT-WHEEL DRIVE VEHICLES, AND IN THE INTERIM TO ADD A SECOND SHIFT, EMPLOYING AN ADDITIONAL 1,200 WORKERS.

IN ADDITION TO ENCOURAGING APPROPRIATE RESTRUCTURING BY EXISTING CANADIAN PRODUCERS (AND I'LL SAY SOMETHING ABOUT CHRYSLER IN A MINUTE), A MAJOR ACHIEVEMENT HAS BEEN THE FEDERAL INITIATIVE WHICH HAS LED TO ITS AGREEMENT WITH VOLKSWAGEN. THE FEDERAL GOVERNMENT'S WILLINGNESS TO PROVIDE DUTY FREE ENTRY WILL RESULT IN THE ESTABLISHMENT BY VOLKSWAGEN OF A MAJOR AUTO PARTS PRODUCTION FACILITY IN BARRIE THROUGH AN INVESTMENT OF \$150 MILLION. AS WELL, VOLKSWAGEN WILL DOUBLE ITS PARTS PURCHASES FROM INDEPENDENT PARTS PURCHASES FROM \$75 MILLION TO OVER \$150 MILLION. THESE ARRANGEMENTS WILL CREATE AN ESTIMATED 1,500 DIRECT JOBS IN CANADA, 500 IN THE VOLKSWAGEN PRODUCTION FACILITY AND 1,000 IN THE CANADIAN INDEPENDENT PARTS SECTOR. A UNIQUE FEATURE OF THE FEDERAL AGREEMENT IS THE PROVISION FOR A CANADIAN CONTENT LEVEL RISING TO 85 PERCENT.

THE RECENT ANNOUNCEMENT OF THE ESTABLISHMENT OF A MAJOR DIESEL ENGINE FACILITY BY KHD WHICH WILL INITIALLY EMPLOY OVER 300 PEOPLE IN BOUCHERVILLE, QUEBEC WITH FEDERAL GOVERNMENT FINANCIAL ASSISTANCE AND IS EXPECTED TO EMPLOY AN ADDITIONAL 1,000, PROVIDES ANOTHER RESULT OF FEDERAL GOVERNMENT INITIATIVES. THIS PROJECT CAME DIRECTLY FROM FEDERAL GOVERNMENT SUPPORT OF A KHD DIESEL R & D CENTRE SOME YEARS AGO.

IN ADDITION TO THESE ACTIONS, I RECENTLY ANNOUNCED A NEW \$25 MILLION FUND THAT WILL BE MADE AVAILABLE BY THE FEDERAL GOVERNMENT OVER THE NEXT TWO YEARS TO THE INDEPENDENT AUTO PARTS INDUSTRY THROUGH A DESIGNATION OF THIS SECTOR UNDER THE INDUSTRY AND LABOUR ADJUSTMENT PROGRAM. THE MAJOR AIM OF THIS SECTOR - SPECIFIC DESIGNATION



IS TO PROVIDE ASSISTANCE TO FIRMS, MAINLY THE SMALLER AND MEDIUM-SIZED ONES, WISHING TO UNDERTAKE VIABLE CAPITAL PROJECTS WHICH WOULD NOT OTHERWISE BE CARRIED OUT. ANY AUTOMOTIVE PARTS MANUFACTURER, EITHER OEM OR AFTERMARKET, WHO IS LOCATED OUTSIDE A DESIGNATED COMMUNITY IS ELIGIBLE FOR ASSISTANCE. THOSE MANUFACTURERS IN A DESIGNATED COMMUNITY CAN, OF COURSE, APPLY UNDER THE ILAP PROGRAM IN THAT COMMUNITY. I AM PLEASED TO SAY THAT WE HAVE ALREADY HAD A LARGE NUMBER OF ENQUIRIES. I WAS ALSO PLEASED TO SEE PAT LAVELLE'S FAVOURABLE COMMENTS ON THE PROGRAM ON BEHALF OF YOUR ASSOCIATION.

IT IS IMPORTANT TO NOTE THAT WE HAVE NOT NEGLECTED THE AUTO WORKERS AND THE COMMUNITIES HARDEST HIT BY THE DOWNTURN IN THE AUTO INDUSTRY. OF THE EIGHT-DESIGNATED ILAP COMMUNITIES, THREE (WINDSOR, CHATHAM, AND BRANTFORD) HAVE A SIGNIFICANT AUTO COMPONENT. UNDER ILAP, WORKERS AND PLANTS IN THE DESIGNATED COMMUNITIES ARE ELIGIBLE FOR A COMBINATION OF PROGRAM ELEMENTS, INCLUDING SKILLS TRAINING, TO HELP THEM OVER THIS DIFFICULT PERIOD. PROVIDING NEW LONG-TERM ECONOMIC OPPORTUNITIES FOR THE AFFECTED COMMUNITIES WILL OF COURSE BE OF THE GREATEST BENEFIT TO THE WORKERS. OF COURSE THE EXPANDING OF PLANTS OUTSIDE THE DESIGNATED COMMUNITIES UNDER THE AUTO PARTS PROGRAM WILL ALSO BE OF ASSISTANCE TO AUTO WORKERS.

OVER THE PAST TWO YEARS WE HAVE BEEN ACTIVE IN PROMOTING EXPORT OPPORTUNITIES, AS WELL AS JOINT VENTURES, IN THE U. S., EUROPE, MEXICO, SOUTH AMERICA, AUSTRALIA, NEW ZEALAND, SINGAPORE, AND JAPAN. I WOULD ENCOURAGE YOU TO EVALUATE YOUR EXPORT MARKET ACTIVITIES AND TAKE FULL ADVANTAGE OF THE RANGE OF SERVICES THE FEDERAL GOVERNMENT OFFERS YOU TO HELP INCREASE THESE ACTIVITIES.



AS WELL, THE CANADIAN AUTOMOTIVE COMPONENTS DUTY REMISSION PROGRAM HAS BEEN EXTENDED TO SEVERAL ADDITIONAL FOREIGN VEHICLE PRODUCERS.

FINALLY, THERE HAS BEEN THE AGREEMENT WITH CHRYSLER TO ASSIST IN ITS RESTRUCTURING. DESPITE THE UNWILLINGNESS OF THE ONTARIO GOVERNMENT TO PARTICIPATE DIRECTLY IN THIS RESTRUCTURING AGREEMENT THE FEDERAL GOVERNMENT WAS ABLE TO SAVE 25 - 30,000 DIRECT JOBS AT CHRYSLER AND ITS INDEPENDENT PARTS SUPPLIERS. CHRYSLER CAR ASSEMBLY PLANTS ARE WORKING ON TWO SHIFTS INCLUDING SATURDAYS. MORE THAN 11,000 WORKERS ARE EMPLOYED TODAY, COMPARED TO 9,000 LAST YEAR. IMPLEMENTATION PROCEDURES ARE WELL UNDER WAY FOR THE CONVERSION OF THE TWO ASSEMBLY PLANTS, INCLUDING A WORLD PRODUCT MANDATE FOR THE T115 VAN-WAGON, AND GREATER AUTONOMY FOR CHRYSLER CANADA, INCLUDING IN THE PURCHASING AREA.

ONE DIMENSION THAT HAS INCREASED IN IMPORTANCE SINCE MAY 1980 HAS BEEN THE INCREASING SHARE OF THE NORTH AMERICAN CAR MARKET SECURED BY JAPANESE VEHICLES. IT IS A DIFFICULT PROBLEM AND ONE THAT HAS CONCERNED ME GREATLY. OF COURSE, IN DEALING WITH THE SITUATION WE MUST DO SO IN THE CONTEXT OF OUR OVERALL INTERNATIONAL TRADING RELATIONSHIPS AND OBLIGATIONS. IN MY MEETINGS WITH JAPANESE REPRESENTATIVES I HAVE STRESSED THE IMPORTANCE OF INCREASING CANADIAN CONTENT IN JAPANESE VEHICLES SOLD BOTH IN CANADA AND ELSEWHERE. HOWEVER, RESULTS TO DATE HAVE BEEN VERY DISAPPOINTING AND I HOPE THAT THE JAPANESE TAKE NOTE OF THE GROWING CONCERN IN CANADA OVER THE LACK OF PROGRESS IN INCREASING CANADIAN CONTENT IN VEHICLES SOLD HERE

AND IN OTHER MARKETS. SUFFICIENT TIME HAS ELAPSED TO SEE SOME CONCRETE RESULTS IN PLACE. WE WILL BE CONTINUING TO WORK WITH THE MAJOR JAPANESE AUTO COMPANIES TO BECOME MAJOR PARTICIPANTS IN THE CANADIAN AUTO MANUFACTURING SECTOR. WE HAVE BEEN PARTICULARLY ACTIVE PUSHING FOR DECISIONS IN THIS AREA, AND WILL CONTINUE TO GIVE IT EMPHASIS.

WITH RESPECT TO JAPANESE IMPORTS, AS YOU KNOW, MY OFFICIALS HELD DISCUSSIONS WITH THE JAPANESE WHICH LED THE MITI MINISTER LAST JUNE TO ANNOUNCE THAT CAR EXPORTS TO CANADA WOULD NOT EXCEED A TOTAL OF 174,213. I WELCOMED THIS DECLARATION, SINCE IT REPRESENTED RECOGNITION OF THE NEED TO ALLOW THE NORTH AMERICAN INDUSTRY SUFFICIENT OPPORTUNITY TO RESTRUCTURE ITS OPERATIONS, AND OF THE DANGER OF DIVERSION INTO CANADA OF LARGE NUMBERS OF CARS FOLLOWING THE CONCLUSION OF AN AGREEMENT WITH THE U. S. IN MAY. IT ALSO REPRESENTED A REDUCTION OF 6 PERCENT OVER THE COMPARABLE 1980 - 81 PERIOD. SO FAR THEY APPEAR TO BE ON TARGET.

AS FAR AS AN EXTENSION IS CONCERNED I SAID IN THE HOUSE LAST WEEK THAT DISCUSSIONS ON ARRANGEMENTS WITH RESPECT TO RESTRAINT OF EXPORTS HAVE JUST BEGUN, AND THAT THE MINISTER OF STATE FOR INTERNATIONAL TRADE AND I WOULD ENSURE THAT OUR OFFICIALS BRING VERY CLEARLY TO THE JAPANESE THE FACT THAT OUR ECONOMY CONTINUES TO BE IN A DIFFICULT SITUATION AND THAT THE RECOVERY OF THE NORTH AMERICAN MARKET FOR AUTOMOTIVE VEHICLES HAS NOT TAKEN PLACE TO THE EXTENT FORESEEN PRIOR TO THIS YEAR. I AM ALSO CONCERNED THAT

PURCHASE OF CANADIAN PARTS BY THE JAPANESE WENT DOWN IN 1981. WE BELIEVE THESE CONCERNS SHOULD BE TAKEN INTO ACCOUNT IN THEIR RESPONSES BY THE JAPANESE.

I SHOULD ADD THAT THE JAPANESE SHOULD RECOGNIZE THAT THE GROWING CALLS FOR UNILATERAL GOVERNMENT ACTION ARE DIRECTLY RELATED TO THE LACK OF THEIR PROGRESS ON ESTABLISHING MAJOR FACILITIES IN CANADA OR PURCHASING CANADIAN PARTS. UNLESS THERE IS A SPEEDING UP OF DECISIONS, PUBLIC PRESSURE ON GOVERNMENT MAY REACH A CRITICAL LEVEL.

IN SUM, WE HAVE NEGOTIATED AGREEMENTS WITH CHRYSLER, FORD, KHD, AND VOLKSWAGEN LEADING TO EXPECTED NEW DIRECT INVESTMENTS OF OVER \$1 BILLION, AND MAINTAINING AND CREATING OVER 15,000 DIRECT JOBS IN THOSE COMPANIES; ESTABLISHED ILAP, DESIGNATING WINDSOR, CHATHAM, AND BRANTFORD AMONG THE COMMUNITIES AND UNDER IT HAVE ANNOUNCED A SPECIAL \$25 MILLION FUND FOR INDEPENDENT AUTO PARTS PRODUCERS; BEGUN CONSULTATIONS WITH THE U. S. ON THE OPERATION OF THE AUTO PACT; CAME TO AN ARRANGEMENT WITH THE JAPANESE ON THE RESTRAINT OF ITS CAR EXPORTS; AND SPONSORED 25 - 30 MAJOR TRADE FAIRS AND MISSIONS PER YEAR, PROVIDING, AS WELL, EXPORT MARKET DEVELOPMENT ASSISTANCE TO INDIVIDUAL FIRMS UNDER PEMD. IN ADDITION, SOME \$50 MILLION IN LOAN GUARANTEES AND RECOVERABLE CONTRIBUTIONS HAVE BEEN MADE AVAILABLE TO THE AUTO PARTS COMPANIES OVER THE PAST TWO YEARS THROUGH THE ENTERPRISE DEVELOPMENT PROGRAM AND THE DEFENCE INDUSTRIES PRODUCTIVITY PROGRAM. FINALLY, PURCHASES UNDER THE AUTOMOTIVE COMPONENTS REMISSION ORDERS NOW RUN AT ABOUT \$115 MILLION PER YEAR. I THINK ONE COULD ARGUE THAT THE EXTENT OF FEDERAL

ACTIVITY IS UNPRECEDENTED. IT REPRESENTS A VERY SUBSTANTIAL EFFORT BY THE FEDERAL GOVERNMENT TO ENSURE THAT THE ENVIRONMENT WITHIN WHICH THE INDUSTRY OPERATES IS CONDUCIVE TO SOUND BUSINESS DECISIONS WHICH WILL RESULT IN INCREASED INVESTMENT, PRODUCTION AND EXPORTS AND WHICH WILL LEAD TO INCREASED EMPLOYMENT OPPORTUNITIES FOR CANADIANS.

BUT I WOULDN'T WANT TO LEAVE THE IMPRESSION THAT WE ARE TOTALLY SATISFIED WITH EVEN THIS LEVEL OF ACTIVITY, THE ENVIRONMENT WITHIN WHICH YOU OPERATE HAS CHANGED DRAMATICALLY OVER THE LAST FEW YEARS. IT IS STILL CHANGING. BUT I REMAIN CONFIDENT THAT WITH COOPERATION BETWEEN BUSINESS, LABOUR, AND GOVERNMENT, THE MASSIVE INVESTMENTS THAT ARE CURRENTLY BEING MADE IN NEW PRODUCTS AND NEW TECHNOLOGY WILL MAKE THE NORTH AMERICAN INDUSTRY AND ITS CANADIAN SEGMENT COMPETITIVE.

THERE ARE NO MAGICAL SOLUTIONS TO THE PROBLEMS BEING FACED. WE HAVE TO RECOGNIZE THAT A MAJOR REASON FOR THE CURRENT SITUATION IS THE WEAKNESS IN THE U. S. ECONOMY. IT IS SOMETHING THAT, NO MATTER HOW WE WOULD LIKE TO DO SO, WE CANNOT ESCAPE COMPLETELY, EVEN THOUGH WE HAVE TO WORK TO DEAL WITH THE NEEDS AND REQUIREMENTS OF OUR OWN ECONOMY. THE OVERALL OBJECTIVE OF THE NOVEMBER BUDGET WAS AIMED AT STRENGTHENING OUR ECONOMY AS A WHOLE BY BRINGING DOWN INFLATION AND INTEREST RATES RESULTING IN A HEALTHIER ECONOMY AND THE CREATION OF AN ENVIRONMENT IN WHICH CONSUMERS WILL FEEL MORE CONFIDENT ABOUT RETURNING TO THE MARKET PLACE.

AT THE SAME TIME WE WANT TO BE IN A POSITION TO ASSIST CAPITAL PROJECTS THAT MIGHT OTHERWISE NOT PROCEED. OUR RECORD ON THIS



ASPECT IS A POSITIVE INDICATION OF FEDERAL SUPPORT, WHICH WE INTEND TO CONTINUE.

AT THE FIRST MINISTERS CONFERENCE LAST WEEK, I INDICATED TO PREMIER DAVIS MY WILLINGNESS TO MEET WITH HIM TO DISCUSS THE PROBLEMS OF THE AUTO INDUSTRY. I WANT TO DO THIS ON AN URGENT BASIS.

AT THAT TIME WE WILL EXPLORE WHAT FURTHER PRACTICAL WAYS THERE ARE FOR US TO WORK TOGETHER ON THESE PROBLEMS.

BEFORE I CONCLUDE, I WISH TO EMPHASIZE ONE POINT. THE AUTOMOTIVE INDUSTRY IS CLEARLY THE FOREMOST INDUSTRY IN ONTARIO, BUT IT IS NOT AT ALL WELL UNDERSTOOD HOW PERVASIVE IS ITS IMPACT THROUGHOUT OUR ECONOMY AND IN ALL REGIONS OF CANADA. THE DOWNTURN IN THE INDUSTRY HAS, FOR INSTANCE, TREMENDOUS IMPACT ON MINERAL MINING (COAL, IRON ORE, COPPER, NICKEL), STEEL, RUBBER, PLASTICS, PETROCHEMICALS, FOREST PRODUCTS, TEXTILES, AMONG OTHERS. THIS INTERRELATIONSHIP AND LINKAGE SHOULD BE MADE KNOWN ACROSS THE COUNTRY IN ORDER TO CREATE A CLIMATE OF UNDERSTANDING TO PROVIDE A PROPER BASIS FOR DEALING WITH SOME KEY POLICY QUESTIONS, SUCH AS POSSIBLE CONTENT LEGISLATION. FOR EXAMPLE, DURING THE CHRYSLER CRISIS, LARGE NUMBERS OF PEOPLE, INCLUDING MPs IN ALL REGIONS, DISCOVERED HOW IMPORTANT THE EXISTANCE OF THE COMPANY WAS TO THEIR COMMUNITIES. THIS WAS AN IMPORTANT ELEMENT IN THE FINAL OUTCOME OF THE NEGOTIATIONS. I URGE YOU TO MAKE YOUR CASE PUBLICALLY ACROSS THE COUNTRY. THERE IS A GOOD STORY TO TELL, BUT NOT ENOUGH PEOPLE KNOW ABOUT IT OR UNDERSTAND IT.

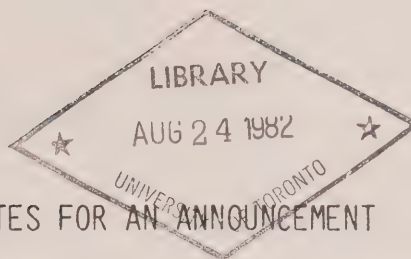


AS FAR AS SPECIFIC PROPOSALS ARE CONCERNED, SUCH AS CONTENT PROVISIONS, AND MY ATTITUDE TO THEM, I CAN ONLY SAY THAT IT WAS THE FEDERAL GOVERNMENT UNDER MY LEADERSHIP THAT INITIATED AND NEGOTIATED THE DUTY-REMISSION ARRANGEMENT WITH VOLKSWAGEN, CALLING FOR A CVA LEVEL RISING TO 85 PERCENT, A FIGURE MUCH HIGHER THAN THAT REQUIRED FOR MOTOR VEHICLE ASSEMBLERS. I WOULD LIKE TO THINK THIS WAS A HARBINGER OF SIMILAR ARRANGEMENTS WITH OTHER COMPANIES IN THE FUTURE.

I THINK IN MY REMARKS TODAY I HAVE SHOWN HOW WE ARE RESPONDING TO MAJOR AREAS OF CONCERN EXPRESSED BY YOUR SECTOR. I CAN THINK OF NO BETTER CONCLUSION THAN TO CONFIRM THAT MY POSITION CONTINUES TO BE AS I SAID TO YOU IN MAY 1980: "I HOPE TO CONTINUE TO BE IN CLOSE CONTACT WITH YOU. I WANT TO WORK COOPERATIVELY WITH YOU, AND ALL THE OTHER ELEMENTS OF THE CANADIAN AUTOMOTIVE INDUSTRY, INCLUDING LABOUR, TO ACHIEVE THE GOAL OF THE..... GOVERNMENT FOR THIS KEY INDUSTRY - THAT GOAL IS 'A FAIR SHARE FOR CANADA' OF THE NORTH AMERICAN AUTOMOTIVE MARKET FOR CANADIAN WORKERS AND THE CANADIAN ECONOMY."

THIS MEANS WORKING WITH YOU FOR A STRONGER CANADIAN INDUSTRY IN A STRONGER MARKET FOR NORTH AMERICAN AUTOMOBILES, BOTH ON THIS CONTINENT AND AROUND THE WORLD.





NOTES FOR AN ANNOUNCEMENT

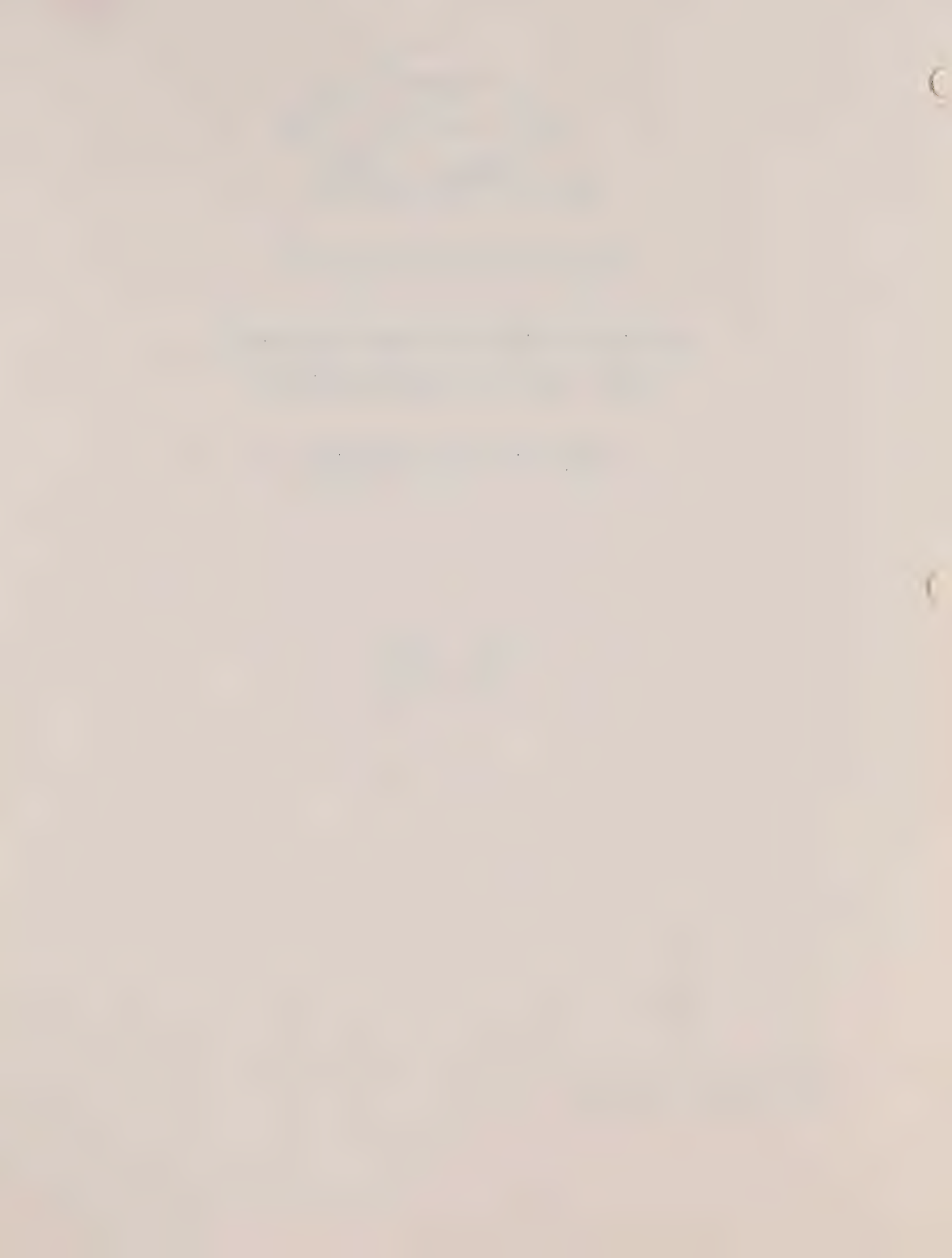
BY THE HONOURABLE HERB GRAY

MINISTER OF INDUSTRY, TRADE AND COMMERCE  
AND REGIONAL ECONOMIC EXPANSION

CONCERNING AIRBUS INDUSTRIE

OTTAWA, ONTARIO  
JULY 21, 1982

CHECK AGAINST DELIVERY



LADIES AND GENTLEMEN, MEMBERS OF THE MEDIA...

IT IS WITH GREAT PLEASURE THAT I AM ABLE TO ANNOUNCE TODAY THAT THE FEDERAL GOVERNMENT HAS APPROVED THE COMMENCEMENT OF FORMAL NEGOTIATIONS TO DEVELOP A MUTUALLY SATISFACTORY BASIS FOR CANADIAN PARTICIPATION IN THE AIRBUS INDUSTRIE A-320 AIRCRAFT PROJECT. I HAVE WRITTEN TO MY COUNTERPARTS IN THE GOVERNMENTS OF FRANCE, THE FEDERAL REPUBLIC OF GERMANY, THE UNITED KINGDOM AND SPAIN TO ADVISE THEM OF CANADA'S DECISION.

THIS AGREEMENT FOLLOWS A YEAR OF EXPLORATORY DISCUSSIONS BETWEEN THE FEDERAL GOVERNMENT, THE CANADIAN AEROSPACE INDUSTRY, EUROPEAN GOVERNMENTS AND THE INDUSTRIAL PARTNERS WHICH MAKE UP THE AIRBUS INDUSTRIE CONSORTIUM.

WHILE THE COMMENCEMENT OF NEGOTIATIONS DEMONSTRATES THE FEDERAL GOVERNMENT'S SERIOUS INTEREST IN PARTICIPATING IN THE PROJECT, THE FINAL DECISION WILL STILL DEPEND ON CERTAIN ISSUES BEING RESOLVED DURING THE FORTHCOMING NEGOTIATIONS. THESE ISSUES INCLUDE OBTAINING FOR CANADA A SATISFACTORY PARTNERSHIP ARRANGEMENT AND COMMERCIAL AND WORKSHARING AGREEMENTS THAT OFFER SUBSTANTIAL BENEFITS TO CANADIAN INDUSTRY.



I HAVE ASKED MR. JOHN SANDFORD, PRESIDENT OF THE CROWN-OWNED DE HAVILLAND AIRCRAFT OF CANADA LTD., TO SIGN A MEMORANDUM OF UNDERSTANDING WITH AIRBUS INDUSTRIE. THIS MEMORANDUM WILL FORM THE BASIS FOR DEFINING TERMS AND CONDITIONS OF INDUSTRIAL PARTICIPATION THAT WOULD BE ACCEPTABLE TO ALL PARTIES INVOLVED IN THE NEGOTIATIONS. DE HAVILLAND HAS BEEN DESIGNATED AS THE CANADIAN INDUSTRIAL REPRESENTATIVE.

I WILL BE TAKING DIRECT RESPONSIBILITY FOR THESE NEGOTIATIONS, IN CONSULTATION WITH MY COLLEAGUES, THE MINISTER OF FINANCE AND THE SECRETARY OF STATE FOR EXTERNAL AFFAIRS. THE FEDERAL GOVERNMENT'S NEGOTIATING TEAM WILL BE LED BY MR. GORDON RITCHIE, ASSOCIATE DEPUTY MINISTER OF MY OWN DEPARTMENT OF INDUSTRY, TRADE AND COMMERCE AND REGIONAL ECONOMIC EXPANSION. GENERALLY, IT WILL BE CONCERNED WITH CANADIAN PARTICIPATION IN THE GOVERNING BODIES OF AIRBUS INDUSTRIE AND WITH THE FORMS AND KINDS OF ASSISTANCE GUARANTEES WHICH WILL BE PROVIDED TO THE NATIONAL AND INDUSTRIAL PARTNERS OF THE CONSORTIUM. THE INDUSTRIAL NEGOTIATING TEAM, ON THE OTHER HAND, WILL CONCERN ITSELF WITH WORK PACKAGES, TECHNOLOGY TRANSFERS, AND THE TERMS AND CONDITIONS UNDER WHICH CANADA RECOVERS DEVELOPMENT COSTS. I AM HOPEFUL THAT THE NEGOTIATING PROCESS CAN BE SATISFACTORILY CONCLUDED SOMETIME EARLY NEXT YEAR.

IN THESE NEGOTIATIONS, WE WILL BE SEEKING SIGNIFICANT BENEFITS TO CANADA; WE WILL BE SEEKING TO OPEN OPPORTUNITIES FOR OUR AEROSPACE INDUSTRY TO DESIGN, DEVELOP AND MANUFACTURE ADVANCED

COMPONENTS FOR THE AIRCRAFT, THEREBY DIVERSIFYING THIS SECTOR'S INDUSTRIAL CAPABILITY. IN ADDITION, WE WILL BE SEEKING TO HAVE CANADIAN INDUSTRY GAIN FULL ACCESS AND USE OF ALL THE TECHNOLOGIES DEVELOPED BY AIRBUS INDUSTRIE. FINALLY, WE WILL BE SEEKING TO ENSURE THE PROJECT WILL RESULT IN THE CREATION OF A SUBSTANTIAL NUMBER OF HIGHLY SKILLED AND TECHNICAL JOBS,

IT SHOULD BE NOTED THAT IF THESE NEGOTIATIONS ARE SUCCESSFUL, THE BENEFITS WILL BE DISTRIBUTED ACROSS CANADA. A SIGNIFICANT PORTION WILL OCCUR IN THE PROVINCE OF QUEBEC WHERE A NEW MANUFACTURING FACILITY WOULD BE BUILT AT A SITE STILL TO BE DETERMINED. A LARGE PORTION OF THE POTENTIAL JOBS WOULD BE LOCATED IN THAT PROVINCE.

IT MUST BE CLEARLY UNDERSTOOD, HOWEVER, THAT WHILE CANADIAN PARTICIPATION IN AIRBUS INDUSTRIE WOULD REPRESENT A MILESTONE FOR OUR AEROSPACE INDUSTRY, IT IS BUT ONE OF MANY OPPORTUNITIES UNDER CONSIDERATION. CANADA REMAINS COMMITTED TO MAINTAINING ITS COMMERCIAL RELATIONSHIPS WITH AMERICAN MANUFACTURERS SUCH AS BOEING OR McDONNELL DOUGLAS. THE A-320 PROJECT IS BEING LOOKED AT TO STRENGTHEN AND DIVERSIFY CANADA'S GROWING AEROSPACE INDUSTRY.

AIRBUS INDUSTRIE IS AN INTERNATIONAL CONSORTIUM OPERATING WITHIN THE FRAMEWORK OF INTERNATIONAL AGREEMENTS AMONG FRANCE, THE FEDERAL REPUBLIC OF GERMANY, THE UNITED KINGDOM AND SPAIN. THE INDUSTRIAL PARTNERSHIP COMPRISES AEROSPATIALE OF FRANCE, DEUTSCHE AIRBUS OF GERMANY, BRITISH AEROSPACE OF THE UNITED KINGDOM, AND CASA OF SPAIN. AIRBUS INDUSTRIE WAS FORMED AS A GROUPEMENT D'INTÉRÊT ÉCONOMIQUE (GIE) UNDER FRENCH LAW IN SEPTEMBER, 1967. THE A-320, A 150 SEAT PASSENGER AIRCRAFT, WILL BE THE THIRD MEMBER OF THE AIRBUS FAMILY. IT JOINS THE A-300, A 345 SEAT AIRCRAFT, AND THE A-310, WHICH CAN CARRY JUST OVER 200 PASSENGERS. MORE THAN 500 OF THESE AIRCRAFT ARE NOW IN SERVICE OR ON ORDER FROM THE WORLD'S COMMERCIAL AIRLINES.

SHOULD NEGOTIATIONS PROVE SUCCESSFUL, AND CANADA PARTICIPATES WITH AIRBUS INDUSTRIE IN DEVELOPING THIS AIRCRAFT, IT WILL BE BECAUSE THE BENEFITS IN EMPLOYMENT, TECHNOLOGY AND EXPORT SALES ARE VERY WORTHWHILE. I AM HOPEFUL, HOWEVER, THAT CANADA IS ENTERING A RELATIONSHIP WHICH WILL ENDURE FOR MANY YEARS, INITIALLY WITH THE A-320, AND LATER WITH OTHER AIRCRAFT FROM THE EXPANDING AIRBUS FAMILY.

SPEAKING NOTES

THE HONOURABLE ED LUMLEY

MINISTER OF INDUSTRY, TRADE AND COMMERCE  
AND  
REGIONAL ECONOMIC EXPANSION

TO THE

HOUSE OF COMMONS

APRIL 28, 1983





MR. SPEAKER, IT IS INDEED A PLEASURE FOR ME TO PARTICIPATE IN THIS BUDGET DEBATE. THERE IS NOTHING MORE DIFFICULT IN GOVERNMENT THAN DRAFTING A BUDGET AND AS A COLLEAGUE AND AS A FELLOW-CITIZEN, I WANT TO EXPRESS MY HEARTIEST CONGRATULATIONS TO THE MINISTER OF FINANCE ON HIS SUPERB EFFORT. I CANNOT RECALL A BUDGET WHICH ADDRESSED IN SUCH A CONSTRUCTIVE FASHION THE FUNDAMENTAL ISSUES FACING THE CANADIAN ECONOMY. AS THE MINISTER SAID IN HIS BUDGET SPEECH -- ECONOMIC RECOVERY IS UNDER WAY -- AND THE MEASURES HE ANNOUNCED WILL GO A LONG WAY IN CREATING THE CLIMATE OF CONFIDENCE THAT IS NECESSARY IF THE RECOVERY IS TO BE ACCELERATED AND OUR GOAL OF CREATING SECURE JOBS FOR CANADIANS IS TO BE MET.

THE THRUST OF THIS RECOVERY BUDGET IS DIVIDED INTO TWO MAIN AREAS WITH RESPECT TO JOB CREATION. FIRST, AND MORE IMMEDIATE, IS THE DIRECT JOB CREATION AND SPECIAL RECOVERY CAPITAL PROJECTS UNDERTAKEN BY THE FEDERAL GOVERNMENT. THE SECOND PHASE -- THE STRENGTHENING OF THE PRIVATE SECTOR, I BELIEVE IS THE KEY TO LONG TERM PROSPERITY FOR ALL CANADIANS. AS THE MINISTER RESPONSIBLE FOR INDUSTRIAL AND REGIONAL DEVELOPMENT, I WOULD LIKE TO ADDRESS MY REMARKS TODAY TO THIS ASPECT OF OUR ECONOMIC RENEWAL PROGRAM. NEEDLESS TO SAY MISTER SPEAKER TIME DOES NOT ALLOW ME TO DETAIL ALL THE MEASURES MY DEPARTMENT WILL UNDERTAKE IN THIS REGARD. HOWEVER I WILL TRY AND HIGHLIGHT THE KEY INSTRUMENTS.

IT HAS BEEN SAID SO OFTEN AND SO ACCURATELY THAT THE MAIN ENGINE OF GROWTH IN THE CANADIAN ECONOMY ALWAYS HAS BEEN AND ALWAYS WILL BE THE PRIVATE SECTOR. HOWEVER, LET US BE UNDER NO ILLUSION.

CANADA'S INDUSTRIES HAVE NEVER BEFORE FACED SUCH A CHALLENGE. INCREASINGLY, BOTH DEVELOPING AND DEVELOPED COUNTRIES ARE COMPETING WITH US FOR MARKETS. AND I DO NOT REFER JUST TO FOREIGN MARKETS BUT ALSO TO OUR OWN DOMESTIC MARKET. THIS BUDGET HAS OFFERED SPECIFIC ASSISTANCE TO CANADIAN FIRMS SO THAT THEY CAN MEET THIS CHALLENGE.

THE BUDGET ALSO ADDRESSES OUR CURRENT SITUATION IN A REALISTIC WAY. IT RECOGNIZES THAT THE PRIVATE SECTOR HAS UNDERGONE TREMENDOUS PRESSURE IN THE PAST FEW YEARS AS EVIDENCED BY THE DRAMATIC DECLINE IN CORPORATE PROFITS. I DO NOT HAVE TO TELL THIS HOUSE THAT WITHOUT CORPORATE PROFITS THERE WILL BE NO CORPORATE INVESTMENT. AND WITHOUT INVESTMENT, THERE WILL BE A CONTINUING LOSS OF COMPETITIVENESS FOR OUR FIRMS. NOT MAINTAINING A COMPETITIVE POSITION RESULTS IN A REDUCTION IN EMPLOYMENT.

SO THIS BUDGET HAS PROVIDED MEASURES THAT WILL ENABLE CANADIAN FIRMS, PARTICULARLY THE SMALL AND MEDIUM-SIZED BUSINESSES WHO HAVE A MUCH SMALLER RESOURCE BASE TO DRAW UPON TO RESTORE THEIR BALANCE SHEETS, TO GET OUT FROM UNDER THE INORDINATE DEBT BURDEN MANY HAVE BEEN CARRYING. THEY WILL THEN BE ABLE TO DIVERT MONIES NOW SPENT ON DEBT SERVICING TO MORE PRODUCTIVE, JOB CREATING ACTIVITIES.

THE \$300 MILLION SPECIAL RECOVERY INVESTMENT FUND ANNOUNCED IN THE BUDGET WILL BE PUT TO USE IMMEDIATELY TO LEVER INVESTMENT IN THE PRIVATE SECTOR. WHEN THIS YEAR'S \$100 MILLION AND THE \$200 MILLION FOR NEXT YEAR IS ADDED TO APPROVED REFERENCE LEVELS FOR MY DEPARTMENT, WE WILL BE DELIVERING \$2.5 BILLION OF DIRECT ASSISTANCE TO INDUSTRY IN THAT 2 YEAR PERIOD.

OUR PRIVATE SECTOR CONSULTATION INDICATES THAT THERE ARE MANY PROJECTS BEING CONTEMPLATED BY CANADIAN CORPORATIONS AND WE FEEL THAT WE CAN ASSIST IN ACCELERATING THESE INVESTMENTS BECAUSE OF THE INCENTIVE THESE ADDITIONAL FUNDS WILL PROVIDE,

THE GOVERNMENT, AS YOU KNOW, HAS BROUGHT FORWARD MANY OF ITS OWN SPENDING PLANS SO THAT PROJECTS CAN PROCEED EARLIER. NOT ONLY DOES THIS SPECIAL RECOVERY PROGRAM ASSIST IN THE PROVISION OF JOBS IN THE SHORTER TERM, IT ENSURES GOVERNMENT FINANCING NEEDS WILL BE DRAWN FROM THE AVAILABLE CAPITAL POOL AT A TIME WHEN PRIVATE SECTOR BORROWING WILL BE LOWER. AS PRIVATE SECTOR INVESTMENT INCREASES -- AND THAT'S WHAT WE REQUIRE FOR LONG TERM, SUSTAINABLE RECOVERY -- GOVERNMENT BORROWINGS WILL DECREASE.

IT IS CLEAR THAT WITHIN THIS BROAD FRAMEWORK ESTABLISHED BY THE BUDGET, SOME VERY SPECIFIC ACTIVITIES WILL OCCUR. ONE GOAL, THAT OF INCREASING OUR PRODUCTIVITY, MUST BE STRESSED AGAIN AND AGAIN. THE GOVERNMENT AND THE PRIVATE SECTOR, WHICH INCLUDES BOTH INDUSTRY AND LABOUR, MUST DIRECT THEIR RESOURCES TO ACHIEVING A MUCH MORE COMPETITIVE POSITION FOR OUR PRODUCTS IF WE ARE TO MAINTAIN AND INCREASE OUR MARKET SHARE.

TO FACILITATE THIS GOAL, THE BUDGET INDICATED THE GOVERNMENT'S INTENTION TO FUND A NATIONAL CENTRE FOR PRODUCTIVITY AND EMPLOYMENT GROWTH THAT WILL BE A JOINT INDUSTRY/LABOUR EFFORT. MY COLLEAGUE THE HONOURABLE CHARLES CACCIA, MINISTER OF LABOUR, WITH WHOM I SHARE RESPONSIBILITY FOR THE GOVERNMENT'S PARTICIPATION IN THIS CENTRE, WILL BE SPEAKING IN MORE DETAIL ABOUT THIS THIS AFTERNOON.

THE ISSUE OF TECHNOLOGY AND ITS PLACE IN OUR FUTURE IS OBVIOUSLY CRITICAL. THE MINISTER OF STATE FOR SCIENCE AND TECHNOLOGY, WILL BE SPEAKING AT MORE LENGTH ON THIS SUBJECT DURING THIS BUDGET DEBATE. AS FAR AS THE RESPONSIBILITIES OF MY DEPARTMENT ARE CONCERNED, IT IS BOTH THE DEVELOPMENT OF THE TECHNOLOGY AS WELL AS THE APPLICATION OF TECHNOLOGY TO INDUSTRIES IN TERMS OF INNOVATION AND PRODUCTIVITY IMPROVEMENT THAT IS IMPORTANT. IF TIME PERMITTED, MR. SPEAKER, I WOULD LIKE TO DETAIL OUR EFFORTS IN THIS REGARD. HOWEVER, I WILL HAVE AN EXCELLENT OPPORTUNITY TO ADDRESS THIS ISSUE IN DETAIL WHEN I SPEAK TO THE NATIONAL PRODUCTIVITY AWARDS LUNCHEON FOR THE CANADIAN MACHINERY AND METALWORKING INDUSTRY IN TWO WEEKS.

AS I MENTIONED, SMALL AND MEDIUM-SIZED BUSINESSES ARE CLEARLY OF PARTICULAR IMPORTANCE TO OUR ECONOMIC RECOVERY AND THIS BUDGET HAS DEALT WITH THEIR NEEDS IN A NUMBER OF WAYS. MY DEPARTMENTAL AND CABINET COLLEAGUE, THE HONOURABLE BILL ROMPKEY, WHO HAS PARTICULAR RESPONSIBILITY FOR SMALL BUSINESSES AND TOURISM, WILL BE SPEAKING ABOUT THESE SPECIFIC MEASURES AS WELL AS OUTLINING THE NEW ROLE THAT THE FEDERAL BUSINESS DEVELOPMENT BANK WILL BE PLAYING.



THE MINISTER OF FINANCE HAS SET OUT TWO MAJOR UNDERTAKINGS TO ASSIST INDUSTRY. ONE CONSISTS OF THOSE PROJECTS IN THE SHORT TERM THAT WILL BE DELIVERED DIRECTLY BY THE GOVERNMENT. THE SECOND CONSISTS OF MEASURES THAT WILL ENABLE THE PRIVATE SECTOR TO BECOME MORE COMPETITIVE. ONLY THROUGH THE GROWTH OF OUR ECONOMIC BASE CAN THIS COUNTRY CREATE THE SUSTAINABLE EMPLOYMENT THAT WE REQUIRE. AND WITH THE CREATION OF A STRONGER PRIVATE SECTOR INDUSTRIAL BASE THIS GROWTH IS SURE TO OCCUR.

THERE IS ANOTHER ASPECT TO THIS BUDGET WHICH TO ME, AS MINISTER RESPONSIBLE FOR BOTH REGIONAL AND INDUSTRIAL DEVELOPMENT, IS PARTICULARLY GRATIFYING. THE SPIRIT THAT UNDERLIES THE BUDGET, THE SPECIFIC PROVISIONS IT CONTAINS, AND ITS TIMING ARE ALL EXTREMELY FORTUNATE IN TERMS OF THE DEVELOPMENTS THAT HAVE TAKEN PLACE WITH RESPECT TO OUR DEPARTMENT. I WANT TO TAKE THIS OPPORTUNITY TO EXPLAIN TO THE HOUSE WHAT THESE DEVELOPMENTS ARE.

WHEN THE MINISTER OF FINANCE OUTLINED THE TAX MEASURES BEING PUT IN PLACE TO ASSIST CANADIAN BUSINESS, HE WAS DESCRIBING ONE OF THE TWO MAJOR ELEMENTS THAT OUR INDUSTRY NEEDS. THAT WAS ONE PART OF THE EFFORT TO ENCOURAGE PRIVATE SECTOR GROWTH THROUGHOUT CANADA.

TODAY I WOULD LIKE TO DESCRIBE THE OTHER MAJOR COMPONENT OF THAT EFFORT. THE NEW DEPARTMENT OF REGIONAL INDUSTRIAL EXPANSION WAS SET UP TO BE THE FEDERAL GOVERNMENT'S PRINCIPAL INSTRUMENT TO PROVIDE DIRECT ASSISTANCE TO THE CANADIAN INDUSTRY. IT WILL DIRECT THIS FEDERAL ASSISTANCE, THROUGH A NUMBER OF METHODS, TO MANUFACTURERS, PROCESSORS, RELATED SERVICE INDUSTRIES, AND THE TOURISM INDUSTRY, ACROSS THE FULL RANGE FROM SMALL TO LARGE ENTERPRISES.

OVER THE PAST FEW MONTHS THE BASIC GROUNDWORK HAS BEEN DONE TO PUT INTO PLACE THE DEPARTMENT OF REGIONAL AND INDUSTRIAL EXPANSION, WHOSE TASK IT WILL BE TO MOUNT A MAJOR EFFORT IN INDUSTRIAL DEVELOPMENT ACROSS ALL SECTORS AND IN ALL REGIONS OF THE COUNTRY.

THE PREPARATORY WORK THAT I WOULD LIKE TO DESCRIBE TO YOU TODAY IS CATEGORIZED UNDER SEVERAL HEADINGS: THE MANDATE OF THE NEW DEPARTMENT, THE PROGRAM STRUCTURE, THE ORGANIZATION THAT HAS BEEN SET UP AND THE PRIORITIES THAT HAVE BEEN ESTABLISHED.

AS YOU KNOW, MR. SPEAKER, THE PRIME MINISTER ANNOUNCED EARLY LAST YEAR THE REORGANIZATION OF ECONOMIC DEVELOPMENT DEPARTMENTS AND THE ECONOMIC DEVELOPMENT CABINET COMMITTEE. AS A RESULT OF THAT ANNOUNCEMENT, THE REGIONAL PROGRAMS OF THE DEPARTMENT OF REGIONAL ECONOMIC EXPANSION WERE AMALGAMATED WITH THE DOMESTIC INDUSTRY, SMALL BUSINESS AND TOURISM COMPONENTS OF THE DEPARTMENT OF INDUSTRY, TRADE AND COMMERCE. THE INTEGRATION OF THOSE TWO ORGANIZATIONS HAS NOW BEEN COMPLETED RIGHT ACROSS THE COUNTRY.

THE MANDATE THAT HAS BEEN STRUCK FOR THE DEPARTMENT IS TO STIMULATE NATIONAL ECONOMIC GROWTH AND HELP REDUCE REGIONAL DISPARITIES THROUGH LEVERAGE OF INVESTMENT AND PROMOTION OF INDUSTRIAL DEVELOPMENT AND TRADE.

SIMPLY STATED, MR. SPEAKER, THE MANDATE OF THE NEW DEPARTMENT DRIE WILL BE: "TO FACILITATE AND SUPPORT INDUSTRIAL DEVELOPMENT AND ADJUSTMENT IN ORDER TO REDUCE ECONOMIC DISPARITIES AMONG REGIONS AND INCREASE THE PROSPERITY OF CANADIANS IN ALL AREAS."

THIS WILL BE DONE BY STIMULATING INNOVATION AND PRODUCTIVITY IMPROVEMENT, ENCOURAGING THE ESTABLISHMENT, EXPANSION AND MODERNIZATION OF PRODUCTION FACILITIES, PROMOTING DEVELOPMENT OF DOMESTIC SOURCING TO REALIZE CANADIAN AND INTERNATIONAL MARKET OPPORTUNITIES, SUPPORTING INDUSTRIAL RENEWAL, ACHIEVING INDUSTRIAL BENEFITS FROM RESOURCE PROJECTS, AND SUPPORTING JOB CREATION AND ENTREPRENEURSHIP,

OUR GOVERNMENT REMAINS FIRMLY COMMITTED TO REGIONAL DEVELOPMENT. SINCE THE CREATION OF DREE IN 1969, THE BASIC APPROACH HAS REMAINED ESSENTIALLY UNALTERED, DESPITE CHANGED ECONOMIC CONDITIONS -- DUE IN NO SMALL MEASURE TO THE SUBSTANTIAL CONTRIBUTION DREE HAS MADE TO BUILDING THE BASIC ECONOMIC INFRASTRUCTURE. WE BELIEVE IT IS NOW TIME TO ADOPT NEW APPROACHES TO ACHIEVE THE SAME BASIC OBJECTIVE, REDUCING REGIONAL DISPARITY,

WE HAVE HAD TO EXAMINE THE RANGE OF EXISTING PROGRAMS TO SEE HOW WELL SUITED THEY ARE TO ACHIEVING THESE AIMS. WHILE THE NEW DEPARTMENT INHERITED SOME PROGRAMS FROM DREE AND ITC THAT ARE WELL SUITED TO THE NEW MANDATE, IT IS A FACT THAT OVER THE YEARS A BROAD RANGE OF PROGRAMS HAS EVOLVED SERVING VARIOUS PURPOSES, WITH SOME DUPLICATION AND OVERLAP, AND A GREAT DEAL OF VARIETY IN PROGRAM INSTRUMENTS, PROGRAM CRITERIA, DELIVERY SYSTEMS AND DECISION MECHANISMS. ALSO, PROGRAM GAPS HAVE BEEN IDENTIFIED -- FOR EXAMPLE, IN THE AREAS OF ENCOURAGEMENT OF INNOVATION, PRODUCTIVITY IMPROVEMENT, AND MARKETING -- AREAS OF HIGHEST PRIORITY FOR THE FEDERAL GOVERNMENT, AS THE MINISTER OF FINANCE HAS STATED IN HIS BUDGET SPEECH.

I AM TODAY ANNOUNCING A NEW PROGRAM, THE INDUSTRIAL AND REGIONAL DEVELOPMENT PROGRAM, TO BE MY DEPARTMENT'S MAJOR INSTRUMENT TO ACHIEVE THESE GOALS. THE PROGRAM WILL BE AVAILABLE TO CANADIAN INDUSTRY IN ALL REGIONS OF CANADA. THROUGH THE INDUSTRIAL AND REGIONAL DEVELOPMENT PROGRAM, THE DEPARTMENT WILL ACTIVELY ASSIST THE PRIVATE SECTOR AS WE MOVE TO STRENGTHEN OUR INDUSTRIAL BASE.



THE NEW INDUSTRIAL AND REGIONAL DEVELOPMENT PROGRAM WILL OFFER INDUSTRIAL DEVELOPMENT SUPPORT ACROSS THE COUNTRY. THERE WILL BE FOUR RANGES OF SUPPORT. THESE WILL BE GRADUATED ACCORDING TO ECONOMIC NEED, WITH THE NEEDIEST REGIONS ELIGIBLE FOR THE HIGHEST LEVELS OF SUPPORT.

THE BASIC LEVEL OF SUPPORT WILL BE AVAILABLE TO FIRMS ANYWHERE IN CANADA. MORE GENEROUS INCENTIVES WILL BE AVAILABLE AT THE SECOND AND THIRD LEVELS, BASED ON ECONOMIC NEED. A FOURTH TIER, COMPRISING THE MOST DISADVANTAGED 5 PER CENT OF CANADA'S POPULATION, WILL AUTOMATICALLY RECEIVE THE MAXIMUM LEVELS OF ASSISTANCE FOR ELIGIBLE PROJECTS.

WE HAVE MADE A SINCERE EFFORT TO ENSURE A FAIR, EQUITABLE OBJECTIVE METHOD OF DESIGNATION AND IN THIS REGARD WE HAVE HAD SUBSTANTIAL CONSULTATION WITH THE PRIVATE SECTOR.

TO IDENTIFY WHICH AREAS ARE IN WHICH LEVEL, I WILL PROPOSE A DEVELOPMENT INDEX. THE INDEX WILL TAKE THREE MAJOR FACTORS INTO ACCOUNT: THE LEVEL OF UNEMPLOYMENT, DISPOSABLE INCOME AND THE FISCAL CAPACITY OF THE PROVINCE. WE WILL HAVE TO WEIGHT THESE FACTORS AS THEY OBVIOUSLY ARE NOT ALL OF EQUAL IMPORTANCE.

AS I SAID WE HAVE CAREFULLY EXAMINED WHAT WAS IN PLACE IN BOTH INDUSTRY, TRADE AND COMMERCE AND REGIONAL ECONOMIC EXPANSION. WITH THAT AS THE STARTING POINT, WE DESIGNED A DEPARTMENT WITH THE BEST FEATURES OF BOTH. BUT IN MY VIEW THAT WASN'T ENOUGH. THE NEW DEPARTMENT OF REGIONAL INDUSTRIAL EXPANSION GOES CONSIDERABLY BEYOND SIMPLY MERGING THESE TWO DEPARTMENTS.

OUR FIRST IMPERATIVE WAS TO MAKE THE PROCESS OF DELIVERING FEDERAL ASSISTANCE MUCH SIMPLER AND MORE FLEXIBLE. OVER TIME WE ENDED UP WITH TOO MANY PROGRAMS THAT WERE TOO COMPLICATED. AS A CONSEQUENCE THE BUSINESSES, PARTICULARLY SMALL AND MEDIUM-SIZED FIRMS, WERE OFTEN CONFUSED AS TO WHAT WE WERE OFFERING AND HOW TO OBTAIN IT. FURTHER IT WAS ALMOST IMPOSSIBLE TO DELIVER THESE PROGRAMS ON A REGIONAL BASIS DUE TO THIS COMPLEXITY.

RATHER THAN THE MULTIPLICITY OF PROGRAMS THAT WERE IN ITC/DREE, THE NEW DEPARTMENT OF DRIE WILL FOCUS ON SEVEN MAJOR PROGRAMS THE PRINCIPAL ONE BEING THE INDUSTRIAL AND REGIONAL DEVELOPMENT PROGRAM WHICH WILL BE FLEXIBLE AND EFFICIENT. IT IS DESIGNED TO MEET THE NEEDS OF THE PRIVATE SECTOR AND TO DIRECT FEDERAL RESOURCES TO WHERE THEY WILL ACHIEVE OUR GOAL OF INDUSTRIAL AND REGIONAL DEVELOPMENT.

THE PROGRAM WILL BE MUCH SIMPLER FOR THE BUSINESS COMMUNITY; IT WILL HAVE ONE SET OF CRITERIA, AND ONE METHOD OF APPLICATION. IT WILL ALSO BE APPLICABLE TO ALL THE STAGES OF A FIRM'S DEVELOPMENT AND IT WILL BE AVAILABLE IN EVERY REGION OF THE COUNTRY.

THE PROGRAM HAS SIX MAIN ELEMENTS. THE FIRST IS INDUSTRIAL INFRASTRUCTURE SUCH AS INDUSTRIAL PARKS. ANOTHER EXAMPLE WOULD BE FEDERAL SUPPORT TO INSTITUTIONS SUCH AS TECHNOLOGY CENTRES.

THE SECOND ELEMENT IS INDUSTRIAL INNOVATION. I BELIEVE THIS TO BE A CRITICAL AREA FOR CANADA'S ECONOMIC WELL-BEING. ELIGIBLE FOR ASSISTANCE IN THIS PHASE WILL BE, AMONG OTHERS, THE DEVELOPMENT OF TECHNOLOGICAL CAPABILITY, THE DEVELOPMENT OF NEW PRODUCTS AND PROCESSES, AND PROJECT FEASIBILITY STUDIES.

ONCE OUR PRODUCTS HAVE COMPLETED THE DEVELOPMENT PHASE IT IS NECESSARY, OF COURSE, TO ACTUALLY GO INTO PRODUCTION. IN SOME CASES THIS REQUIRES THE BUILDING OF A PLANT AND THE PURCHASE OF EQUIPMENT. FOR THIS REASON WE HAVE MADE PROVISION TO ASSIST WITH ESTABLISHMENT, THE THIRD ELEMENT, IN ALL AREAS EXCEPT THOSE IN THE MOST DEVELOPED LEVEL.

A FOURTH PHASE, ONE THAT OFFERS SIGNIFICANT OPPORTUNITIES, IS MODERNIZATION/EXPANSION. THERE ARE A NUMBER OF ELEMENTS THAT FIT WITHIN THIS CATEGORY BUT ONE TO BE STRESSED IS THE BUILDING OF NEW TECHNOLOGIES INTO OUR EXISTING PRODUCTS AND PROCESSES TO INCREASE OUR COMPETITIVENESS. THIS WILL BE ACHIEVED BY ACQUIRING THE MOST ADVANCED MACHINERY, EQUIPMENT AND PLANTS. AS I AM SURE WE ALL AGREE WE MUST DO MORE THAN DEVELOP NEW PRODUCTS TO COMPETE IN THE WORLD MARKETS. IT IS JUST AS CRITICAL THAT WE ADAPT NEW TECHNOLOGIES TO OUR TRADITIONAL INDUSTRIES.

THIS LEADS ME TO ANOTHER MAJOR ELEMENT IN THE PROCESS, MARKETING. MY EXPERIENCE AS MINISTER OF TRADE MADE IT ABUNDANTLY CLEAR THAT WE HAVE TO DEVOTE MORE EFFORT IN THIS AREA IF WE ARE TO HOLD AND MAINTAIN OUR MARKETS. AND I MUST EMPHASIZE THAT THE POTENTIAL FOR CANADIAN FIRMS TO REPLACE IMPORTS HERE IN CANADA IS JUST AS IMPORTANT AS INCREASING EXPORTS.

IN OUR EXAMINATION OF WHAT WAS AVAILABLE IN THE DEPARTMENTS, I HAVE FOUND THAT MARKETING HAS NOT RECEIVED THE ATTENTION IT WARRANTED. WE HAVE NOT PAID SUFFICIENT ATTENTION TO THE MARKETING OF OUR PRODUCTS, PARTICULARLY HERE IN CANADA. PROGRAMS SUCH AS A MORE COMPREHENSIVE SHOP CANADIAN PROGRAM ARE BEING DEVELOPED BY MY OFFICIALS IN CONJUNCTION WITH THE PRIVATE SECTOR.

THE FINAL PHASE OF OUR PROGRAM IS RENEWAL. THE GOVERNMENT RECOGNIZES THAT SOME INDUSTRIES MUST UNDERGO A PROCESS OF RESTRUCTURING. WE ALSO REALIZE THAT THOSE WHO SUFFER THE MOST IN THESE INSTANCES ARE THE WORKERS. TO FACILITATE THE PROCESS, THE GOVERNMENT IS PREPARED IN SPECIFIC INSTANCES TO OFFER LOAN GUARANTEES TO ASSIST COMPANIES IN THE SHORT TERM ASSURING, OF COURSE, THAT WITH RESTRUCTURING THERE IS A REASONABLE CHANCE THAT THE FIRM CAN BECOME VIABLE.

IN SOME CASES A FIRM'S LONG TERM VIABILITY IS IN DOUBT IF IT REMAINS AS IT IS STRUCTURED. IN THOSE INSTANCES, THE GOVERNMENT WILL CONSIDER REPAYABLE GRANTS TO ASSIST THE COMPANY TO DIVERSIFY TO CREATE ALTERNATE EMPLOYMENT.

WHILE WE HAVE BEEN DEVELOPING THIS NEW PROGRAM, THE MERGED DEPARTMENTS HAVE ALSO BEEN UNDERGOING A MAJOR RESTRUCTURING. THIS OBVIOUSLY HAD TO OCCUR IF WE WERE TO ACHIEVE OUR OBJECTIVE OF FASTER DELIVERY AND INCREASED REGIONAL SENSITIVITY. WE HAVE SUBSTANTIALLY STRENGTHENED THE SECTORAL EXPERTISE IN OUR REGIONAL OFFICES. WE HAVE EXPANDED THE NUMBER OF LOCATIONS WHERE DRIE HAS OFFICES FROM THE COMBINED TOTAL OF THE OLD DREE/ITC. MORE ARE PLANNED. UNDER THE NEW DEPARTMENT, FOR THE FIRST TIME ALL FEDERAL INDUSTRIAL PROGRAMS WILL BE AVAILABLE IN EVERY PART OF THE COUNTRY.



WITH THE NEW INDUSTRIAL AND REGIONAL DEVELOPMENT PROGRAM AS THE PRINCIPAL INSTRUMENT OF DIRECT FEDERAL ASSISTANCE TO INDUSTRY COUPLED WITH THE STREAMLINED DELIVERY MECHANISM THE ONLY MAJOR ELEMENT MISSING IS THE ESTABLISHMENT OF THE PRIORITIES ON A SECTORAL AND REGIONAL BASIS. THIS WORK IS ALREADY UNDER WAY WITH MY OTHER CABINET COLLEAGUES, MEMBERS OF PARLIAMENT, PROVINCIAL GOVERNMENTS AND OF COURSE THE PRIVATE SECTOR.

I WISH I HAD TIME THIS MORNING, MR. SPEAKER, TO DETAIL HOW EVERYTHING I HAVE TALKED ABOUT TODAY FACILITATES THE DEVELOPMENT OF AN INDUSTRIAL STRATEGY IN CANADA. CONTRARY TO ONE ERRONEOUS NEWSPAPER REPORT WHICH UNFORTUNATELY WAS PICKED UP BY SEVERAL RESPECTED JOURNALISTS AND EDITORIALISTS, MUCH TO MY SURPRISE, I BELIEVE WE ARE CLOSER TO DEVELOPING THIS STRATEGY THAN EVER BEFORE.

WHAT I STATED IN THE FINANCE COMMITTEE WAS MY BELIEF THAT THE GOVERNMENT CANNOT EFFECTIVELY IMPOSE BY ITSELF INDUSTRIAL DEVELOPMENT STRATEGY UPON CANADIAN INDUSTRY. I BELIEVE THAT OUR STRATEGY HAS TO FLOW FROM THE INTELLIGENT ADVICE OF THE MAIN ACTORS IN INDUSTRY -- NAMELY BUSINESS MANAGEMENT AND LABOUR,

ALSO, I BELIEVE THAT THE INDUSTRIAL STRUCTURE OF CANADA IS SUCH THAT INDIVIDUAL STRATEGIES BY SECTOR ARE MORE EFFECTIVE THAN ANY SINGLE OVERALL INDUSTRIAL STRATEGY. ONCE AGAIN, I BELIEVE THAT IN ORDER TO ACHIEVE SUCCESS, THESE SECTOR STRATEGIES HAVE TO BE BASED ON ADVICE FROM BUSINESS MANAGEMENT AND LABOUR. THAT IS WHY WE ESTABLISHED SECTOR TASK FORCES OR CONSULTATIVE COMMITTEES IN KEY SECTORS TO ASSIST IN DEVELOPMENT OF SECTORAL STRATEGIES.

THESE GROUPS CO-CHAIRRED BY INDUSTRY AND LABOUR REPRESENTATIVES ARE NOT GOVERNMENT TASK FORCES BUT PRIVATE SECTOR TASK FORCES. THEY HAVE BEEN ASKED TO EXAMINE THEIR SECTORS AND TO REPORT THOSE FINDINGS. OTHER SUCH GROUPS WILL BE ESTABLISHED IN THE FUTURE. I BELIEVE, THAT THIS PROCESS IS BY FAR THE BEST WAY AVAILABLE TO ENSURE GOVERNMENT IS AWARE OF SPECIFIC INDUSTRY CONCERNS. USING THIS APPROACH, WE WILL BE ABLE TO DEVELOP SECTOR SPECIFIC DEVELOPMENT PLANS.

THERE IS NO QUESTION THAT IF WE ARE TO BE SUCCESSFUL IN THIS AREA, IT IS IMPERATIVE THAT THE PRIVATE AND PUBLIC SECTORS WORK IN HARMONY. PERHAPS THE BEST EXAMPLE OF THIS CO-OPERATIVE EFFORT WAS THE ESTABLISHMENT OF THE EXPORT TRADE DEVELOPMENT BOARD TWO YEARS AGO.

IN THIS REGARD I WILL ALSO ESTABLISH AN INDUSTRIAL AND REGIONAL DEVELOPMENT BOARD THAT WILL HAVE REGIONAL REPRESENTATION, LABOUR PARTICIPATION, AND SECTORAL INTERESTS. THIS BOARD WILL ADVISE THE GOVERNMENT THROUGH MY DEPARTMENT ON BROAD POLICY ISSUES AND WILL PROVIDE CONSIDERABLE ASSISTANCE TO ENSURE THAT THE GOVERNMENT'S INDUSTRIAL POLICY IS BASED ON A BROAD CONSENSUS.

I HAVE BRIEFLY OUTLINED TO THE MEMBERS TODAY A PLAN FOR INDUSTRIAL DEVELOPMENT IN THIS COUNTRY. I BELIEVE IT BUILDS ON THE BUDGET AND CONFIRMS THAT CANADIANS SHOULD HAVE CONFIDENCE IN THEIR FUTURE. THE NEW DEPARTMENT OF REGIONAL INDUSTRIAL EXPANSION IS COMMITTED TO WORKING WITH INDUSTRY AND LABOUR TO ENSURE THAT CANADIAN FIRMS BECOME MORE PRODUCTIVE AND ARE COMPETITIVE IN THE WORLD MARKETS. THROUGH THIS PARTNERSHIP WE WILL PROGRESS, OUR INDUSTRIES WILL GROW IN ALL REGIONS OF CANADA. THIS DEVELOPMENT WILL MEAN JOBS.

THE GOVERNMENT WILL SHORTLY HAVE BEFORE THE HOUSE THE LEGISLATION TO CREATE THE DEPARTMENT AND ITS PROGRAMS. I WOULD HOPE FOR AGREEMENT FROM ALL SIDES OF THE HOUSE THAT THE PROPOSAL WILL PROVIDE EFFICIENT AND EFFECTIVE SUPPORT TO OUR INDUSTRIES SO THAT WE HAVE AN EARLY PASSAGE OF LEGISLATION. WE WILL THEN BE ABLE TO GET ON WITH THE JOB AT HAND; TO PUT IN PLACE THE SECOND HALF OF THIS MAJOR INDUSTRIAL RECOVERY PROGRAM.

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SPEAKING NOTES  
THE HONOURABLE ED LUMLEY  
MINISTER OF INDUSTRY, TRADE AND COMMERCE  
AND  
REGIONAL ECONOMIC EXPANSION  
TO THE  
LONDON CHAMBER OF COMMERCE  
BUSINESS SEMINAR  
LONDON, ONTARIO  
MAY 4, 1983





Let me begin by expressing my thanks for the invitation to address your business seminar. Success and survival in the '80s - your theme - is at the top of the federal government's priority list at this crucial time as we prepare for recovery from recession.

And this location, in Southwestern Ontario, is an appropriate locale for discussion of your theme. Make no mistake about it, the federal government and my department in particular consider the economic revival at Southern Ontario - the industrial heartland of Canada - to be of primary importance as we strive over the coming months to build and maintain the industrial competitiveness that will ensure meaningful employment for Canadians from coast to coast.

Also, this audience - being composed largely of representatives of small and medium-size business - is very appropriate for the thoughts I would like to express today. The economic viability of the entrepreneurial community - the backbone of the Canadian economy - is essential to our strategy for the future.

I believe that the basic thrust of our economic renewal strategy for the future is well expressed in the April 19 Budget of the Minister of Finance.

Look at the provisions of the budget, particularly as they apply to small business. The Special Recovery Capital Projects will inject \$2.4 billion of stimulus to the economy in the short term. This will have a great spin-off impact on small business who supply the needs of larger firms.

The measures concerning business losses, with a three-year carry-back and a seven year carry-forward, will provide a major improvement to the cash flow of businesses. The provision to increase the capital losses carry-back to three years will have a similar impact.

Small businesses will welcome the removal of the upper limit on investment tax credits. And the remission of 40 per cent of unused investment tax credits directly to the firm will provide significant benefit to firms without taxable income.

The tax credit to common share buyers will encourage injection of new capital and liquidity, which must happen if firms are to redress their serious debt-to-equity ratio problems.

The Budget also proposed for discussion measures to enhance the ability of firms, particularly small firms, to benefit from R and D tax incentives and to attract financing for R and D.

Then there is the increased funding - an additional \$20 million - for the Program for Export Market Development, the principal beneficiaries of which are small businesses.

The Budget provides an additional \$355 million to speed recovery in the housing industry. Since 97 per cent of our construction firms are small businesses, it is obvious that they will benefit greatly.

In his Budget address, the Minister of Finance stated that a new role for the Federal Business Development Bank, which has long played a valuable role in assisting small business, would be announced shortly. Monday in the House of Commons my colleague Bill Rompkey, Minister of State for Small Business and Tourism, announced that new role.

The Bank, while maintaining its traditional function of term lending, will expand its client services and embark on a new role of merchant banker. This will enable the bank to identify new business ventures and participate in their development, by taking a minority position with the intention of selling the shares in due course.

As I said last Thursday during the Budget debate in the House of Commons, the April 19 Budget provides measures to assist Canadian business that constitute one major element of the necessary climate to encourage private sector growth throughout Canada.

There is another major element to that effort. That element is the establishment of the new Department of Regional Industrial Expansion, and the definition of its mandate and program structure.

The new department has been created out of a merger of components of the Departments of Regional Economic Expansion and Industry, Trade and Commerce.

Its mandate is twofold, in that it addresses both the regional and the sectoral aspects of industrial development. Simply stated, the mandate of the new department is to facilitate industrial development and industrial restructuring in order to reduce economic disparities among regions and increase the prosperity of Canadians in all areas of the country.

Today I would like to concentrate on industrial restructuring as it derives from that mandate - and particularly as it applies to Southern Ontario.

We have in recent months examined what was in place in both ITC and DREE. In putting the two together, we became aware of the fact we did not have a program structure that applies to all the various stages of the industrial development cycle. Companies, their products and projects go through distinct phases over time, and firms and products move from one phase to the next. The form of assistance that is appropriate to ensure success at one phase does not necessarily apply to another.

Also, the basic industrial structure must adapt over time, to meet changing world competition, advances in technology, development of new products and new processes.

We know that in this region, which contains so much of Canada's traditional industrial base, the needs of industry are not for the most part in the area of industrial infrastructure, as they are in many other regions of Canada. Neither is the major program priority in this region to assist with the establishment of new plants. Southern Ontario already has the infrastructure. You already have our long-established industries.



The need in this region is for methods to ensure that our existing industries innovate, modernize, and accelerate the rate of increases in productivity - in order to maintain the competitive edge that is required if we are to guarantee our place in the world market.

Look at what has happened in the manufacturing sector in Canada in recent years. A series of influences including the world oil crisis, the world-wide recession, the rise of extreme competition from developing countries, and rapid advances in technology - all have caused severe shock waves throughout the industrialized world, and Canada is no exception.

Canadian passenger automobile sales fell from just over 1,000,000 in 1979 to 713,000 in 1982. In the same period, employment in that industry fell from 224,000 to 107,000.

While farm implement manufacturing has traditionally been cyclical, employment has nonetheless fallen from highs of more than 15,000 in 1975 and 79 to a current low of some 7,300.

Performance has been similar in other manufacturing industries, and the results have been painfully obvious - plant closures and lay-offs in the industrial heartland.

This performance will obviously improve as we recover from recession. Nonetheless, the experience has taught us that our traditional capacity to produce is not by itself sufficient.

We clearly needed to develop the forms of assistance that are appropriate to industrial restructuring. And our previous emphasis on plant establishment, on designated regions for assistance, would not be sufficient. Southern Ontario, which contains a large portion of our manufacturing, would never qualify for designation using previous criteria. In terms of industrial restructuring, all of Canada must be a designated region.

In assessing the situation in Southern Ontario, the federal government recognized some time ago that the region has special needs. That is why we experimented with the Industry and Labour Adjustment Program, with designation of Windsor, Chatham, Kitchener and Brantford for community assistance, and the automotive and small appliance industries for sector assistance.

At the time there was no other program instrument available to address the situation this area faced.

But as I announced last week, we are now coming forward with a program structure to meet all the needs that come within the new mandate of our department.

Rather than the multiplicity of programs that were available from ITC and DREE, the department will focus on seven major programs. Chief among these will be a new program - the Industrial and Regional Development Program.

This program is designed to apply to all the stages of the industrial development cycle.

It recognizes that there is a great need throughout our manufacturing industries for a major thrust in terms of innovation - innovation to adopt technological advances, to implement modern business and labour-management practices, and in short to do all possible to improve productivity and therefore our competitiveness.

I am aware of the school of thought that maintains that our future lies in the field of high technology products, and that we should reduce the emphasis we place on traditional industries. While I entirely agree that we need a major thrust towards high-technology manufactures, I cannot for a moment agree that our traditional industries should be down played.

I in fact firmly believe that our future lies with expansion into the new high tech industries, coupled with increasing the productivity of our traditional industries, be they in resource processing or manufactured goods.

We have therefore devised a program which allows for a concerted effort in this regard, and the Industrial and Regional Development Program will make assistance available through all the stages of a firm's development.

The first stage we have described as industrial infrastructure. An example would be establishment of technology centres. These are the prerequisites, if you will, of effective industrial development.

The second stage at which we will direct assistance is industrial innovation. Since this is an area that is critical to Canada's economic well-being, the government is directing its support to ensure that innovation occurs at the required pace.

Eligible for assistance in this phase will be, among others, the development of technological capability, the development of new products and processes, and project feasibility studies.

Once products have completed the development phase it is necessary, of course, to go into production. In some cases this requires the building of a plant and the purchase of equipment. For this reason we have made provision to assist establishment in certain parts of Canada.

A phase that offers significant opportunities is the phase we are referring to as modernization/ expansion. While there are a number of elements that fit within this category, the one that I have stressed is the building of new technologies into our existing products and processes to increase our competitiveness.

The next phase is marketing. And I want to stress that increasing our share of our own domestic market, or import substitution, is as important as export trade development.

The final phase of our program is the renewal element. The government recognizes that some industries must undergo a process of restructuring, and workers as well as investors are at risk in the process. In cases where restructuring or diversification promises viability, loan guarantees and repayable contributions will be considered.



While we have been developing this new program structure, we have also moved to put in place an organization that is based on decentralized expertise, decision making, and local program delivery.

We have combined the industrial sector expertise from ITC with the regional capacity of DREE. We have opened up new regional offices and will open more in the future. We are establishing a "one-stop shopping" approach to government assistance for business in our local offices. This local decision and delivery capacity will speed up the processing of applications significantly.

While I am on the subject, I would like to take this occasion to announce that we will be opening an office right here in London to better serve the business community of Southern Ontario. Its chief role is to make the government's services available to businesses here in this area. No longer will business people have to travel to Toronto or to Ottawa to have access to federal information and assistance. This office will be staffed with people who are business-trained and oriented. Their role will be to get to know the business community, and act as its advocate with the federal government. They will take an active role in informing firms of available government support all of which, incidentally, will be available locally for the first time. They will participate in assisting firms to realise their investment plans in the areas of productivity improvement, market development, both international and domestic, diversification or expansion.

It time were available I would like to discuss several other aspects of our new approach. I would like to explain the means whereby assistance from the new program will be enriched to varying levels, depending on regional disparity. I would like to describe to you our approach to developing an industrial strategy; the new Industrial and Regional Development Board, and the various industrial sector task forces, which rely on the cooperative effort of management and labour to provide advice to government.

But I only have time to summarize by saying that with the measures of the April 19 Budget, and with our new department and program structure in place, our strategy is already clear.

The role of the Federal Government assumes that the private sector is, and will remain, the engine driving the economy. Government will form a partnership with the private sector to assist in achieving goals on both the sectoral and regional levels which are agreed to by both partners.

We know our specific role vis-à-vis private enterprise: to facilitate, and in partnership, to be active where necessary, but in a complementary sense, not a competitive sense.

We can be active in assisting private enterprise by ensuring that advances in technology and other innovation actually result in increased productivity for Canadian industry.

We can be active by enriching the level of government support for industry in those regions of greatest need.

We can be active in enhancing the role of small and medium size business in the Canadian economy.

We can be active in supporting market penetration for Canadian products, both abroad and domestically.

The new department will have a total budget of some \$2.5 billion over the next two fiscal years to assist in this effort. The provisions of the Finance Ministers' latest Budget provide other forms of encouragement.

The entrepreneurs of Canada must now take the steps to ensure that these efforts result in creating and maintainning meaningful and rewarding jobs for Canadians from coast to coast.

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THE HONOURABLE ED LUMLEY, MINISTER OF INDUSTRY, TRADE AND COMMERCE AND REGIONAL ECONOMIC EXPANSION TO THE 15TH ANNUAL CONVENTION INDUSTRIAL DEVELOPERS ASSOCIATION OF CANADA, HAMILTON, ONTARIO, SEPTEMBER 28, 1983

Thank you very much, Mr. Gillies.

This is the first opportunity I have had to address the Industrial Developers Association of Canada, and I want to begin by thanking you for the invitation, which I was more than happy to accept.

I also want to acknowledge at the outset the contribution of your association and your members to the goals of Canadian industrial development over the years.

From the beginning, your members have held common goals with the Government of Canada. Federal public servants, particularly from what was then the Area Development Agency of the Department of Industry, participated in the initial effort to establish a national association of industrial developers. Your early annual meetings were supported financially by the government, and your first meeting in Ottawa in 1968 was addressed by the Honourable Bud Drury who was then the Minister of Industry at a time when you had not yet chosen a name for the organization.

In the past fifteen years, IDAC has more than justified the aspirations of its founders — not only in terms of assisting industrial growth, but also in the area of professional development and education.

It was during this same period that I entered public life, and I did so for one simple reason. I lived in a community that had at the time, according to federal government statistics, the highest unemployment rate in Canada, some three to four times the national average. Needless to say, I found the prevailing environment totally unacceptable — not only to live and work in, but more important, to raise a family. I thought that my business background might enable me to make a meaningful contribution to the solution, and thus I decided to run for Mayor of the city.

To make a long story short, it was a most meaningful experience, as through an aggressive industrial development program, plus tremendous co-operation by all concerned and a great deal of good fortune, we were able to lower our unemployment rate to national levels in some two and a half years. And with excellent co-operation from the federal and provincial governments we were able to not only encourage our existing industries to modernize and expand, but also we were able to attract new companies to help diversify our industrial base.

So while I have never been an industrial developer professionally, I am thoroughly familiar with your responsibilities. I have been involved as a community-minded businessman, as a mayor, as a Member of Parliament, as a Parliamentary Secretary to the Minister of Regional Economic Expansion, and now as the Minister of Industry, Trade and Commerce and Regional Economic Expansion.



I know what it is like trying to bring federal, provincial and municipal governments together with entrepreneurs, to convince everyone of an opportunity and to overcome the one thousand and one obstacles that inevitably emerge on the route to even the soundest industrial venture.

Much has changed since the formation of IDAC and the establishment of DREE. The underlying causes of the recent recession, and its aftermath, have made the task of the industrial developer far more difficult than we imagined in the late 60s and early 70s.

The philosophy underlying the DREE approach was based on an assumption of continuing overall industrial growth in Canada. While industry was growing, we felt the need to attempt to offset its tendency to concentrate in the industrial heartland, leaving the rest of the country at an economic disadvantage. Thus was born the practice of incentives to industry to locate in areas deemed to be underdeveloped. Also, infrastructure assistance in underdeveloped areas was instituted, to create a climate where new industries could thrive.

Over the period of a decade, excellent work was done in these areas, as I am sure many of you here will readily acknowledge.

But the approach was based on a more equitable division of a growing economic pie. We tended to assume that if we took care of the regions of disparity, the industrial heartland would take care of itself. The international recession showed us differently, and we were suddenly faced with a shrinking pie.

The 1980s came in with declining world markets, declining investment, business failures and plant closures. The unemployment rates that we had found unacceptable in the disparate regions became common in many parts of Canada.

There are many lessons to be learned from the recession.

Perhaps the most important is that you and I realize that the recession is only one aspect of something far more fundamental, and we will not achieve anything lasting or effective if we do not face the facts.

The fact is that the world economy is undergoing a major rationalization. The effects of a number of factors are working their way through the system: the technological revolution, on which no country has a monopoly; new products and new methods of production; the impact of the third world, the newly industrialized nations and the rapidly industrializing nations, with access not only to technology, but to labour costs that are often negligible in comparison to ours. And in the face of all this, a rising spirit of protectionism from all countries, both developed and developing.

We are witnessing as a result the restructuring of world trade, which in turn necessitates the restructuring of our Canadian industries — all our industries, from primary and resource based through to manufactured end products.

The world in which we as industrial developers must operate as we recover from the recession is not the same as it was when we went into recession. We cannot rely too much on our previous route maps.

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The over-riding concern in all of this is competition. The circumstances we have been describing have been accompanied by a wave of international competition that is unprecedented.

Having had the opportunity, in my previous role as Minister for Trade, of visiting more than 50 countries throughout the world, and seeing their methods and practices first hand, I can assure you that our present and future competition will be tougher than we have ever faced. However, there is no doubt in my mind that we are more than capable of succeeding in the face of this formidable challenge.

As a major trading nation, 30 per cent of whose gross national product is in exports, we cannot afford to exploit the protectionist route ourselves. We must therefore meet our competition head-on.

Competitiveness in the Canadian context means innovation, modernization and increased productivity. It means innovation in terms of application of technology as well as improved management practices and labour-management relations. It means innovation in terms of new product lines and improvements on existing lines. It means carving out a niche in the high-growth, high-technology manufactures as well as modernization to sustain our existing manufactures.

There is no Canadian industry which cannot benefit from the application of advanced technology. And I do not for one minute accept the commonly-held view that the application of this technology and the commensurate productivity increases will result in a net loss of jobs.

Putting aside for the moment the jobs that will be created by the new industries, we must keep in mind the fact that, particularly for our traditional industries, competitiveness also means aggressive marketing, not only internationally, but at home through import replacement. For example, Canada imported in the order of \$55 billion worth of manufactured goods in 1982, a large portion of which could well have been made in Canada.

Innovation, modernization, productivity and marketing; these should be the concerns of all levels of government, the private sector, and clearly, industrial developers. If we found it tough to engineer the projects to strengthen our own individual communities when the industrial heartland was booming, we will find it even tougher if our leading sectors do not rebound quickly with the recovery.

As the Minister responsible for both regional and industrial expansion I share with you the goal of local development. At the same time, the Government of Canada must bear in mind the broader considerations of our industrial sectors perse. To me, there is no incompatibility between these two sets of objectives. You do not have to be a professor of economics to realize that a healthy automotive industry is not only good for Oshawa. Because of the tie-in between automotive on the wide variety of plastics, rubber, steel, glass and other industries, and because of the ubiquity of automobiles in terms of sales, service, oil and gas, the health of the automotive industry affects all parts of Canada. At the same time we must bear in mind that all areas of Canada need vigorous indigenous industries.

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But the word "vigorous" has to be emphasized. There is no point in allocating our scarce resources to the establishment of local industries if all we are doing is investing in buggy whip enterprises.

I do not want to get too deeply into the sometimes thorny subject of industrial strategy, but I can say that the Government of Canada recognizes the need to target our industrial development resources, with the full co-operation and participation of the private sector. We must target bearing in mind return on investment from industrial sector restructuring on the one hand, and development in regions of greatest need on the other.

That is the context in which we have reappraised our approach in recent months. The first step in this direction was the government reorganization announced in January, 1982. The Department of Regional Economic Expansion and Industry, Trade and Commerce were reorganized into a new department with responsibility for both regional and industrial development activities.

The reorganization was followed by a review of existing programs in the light of current concerns. Inconsistencies, duplications, additional requirements and the sheer magnitude of programs were identified.

Then we set to work designing the new Industrial and Regional Development program, which was finalized only after intensive study and discussion with interested parties in both the private and public sectors. You can be sure that my personal experience with the senior levels of government, as a businessman and holder of public office at the local level, is well reflected in the development of this program.

The new program is designed around a wide variety of needs and priorities. There was a need for a more consistent application of assistance programs, to reduce the variety and complexity of program instruments with overlapping objectives and varying eligibility criteria. And there was a need to remove the anomalies that had developed over time in the application of regional incentives.

We have to recognize that industrial needs vary widely by region, sub-region and community. We have areas where the need remains for more adequate infrastructure to create the climate for industrial growth. We have areas and communities dominated by single industries, where industrial diversification is a priority. Indeed, diversification is a priority in those vast areas of Canada that are dependent upon primary and resource-based industries with their tradition of boom-and-bust international swings.

And finally, we have our highly industrialized areas, with their traditional manufacturing activities, which we must continue to recognize as one of the pillars of the Canadian economy. Here the need is for restructuring in order to increase our competitiveness, as I have been describing.

The program meets the various industrial needs by providing for financial support under six categories, or program elements. Given my foregoing comments, you will not be surprised by the program elements that were decided on. They are: first, Industrial Development Climate, under which institutional and infrastructure assistance is available; second, Innovation; third, Plant Establishment; fourth, Modernization and Expansion; fifth, Marketing; and sixth, Restructuring.

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Area and industry specific needs are met by use of the appropriate element and regional development incentives are provided by elevating the level of maximum support available depending on the level of regional disparity.

For the first time, regional disparity will be measured statistically, using an equitable, objective development index based on unemployment, income and provincial fiscal capacity. And the index will be applied, not to broad geographic areas as was the case with RDIA, but to areas as discrete as a single census district, the smallest geographic areas for which nationally comparable statistics are regularly compiled. Canada is thus divided into four levels of regional disparity, and levels of support under the program are graduated in corresponding tiers. Tier One is the basic level of available support and applies to the most developed areas of Canada, containing 50 per cent of the population. Available support levels are increased in the remaining tiers, so that the maximum level of assistance is available in Tier Four which contains the five per cent of the population in greatest need of economic assistance.

Tier designations are not frozen, but will be automatically revised annually to reflect any changes in the statistics that make up the index.

With the Industrial and Regional Development Program we again have for the first time an instrument for direct support to industry that is available everywhere in Canada. It is designed specifically to address the wide variety of conditions and requirements that characterize Canada's industries and areas. It is flexible enough to address the need for industrial revitalization and restructuring while at the same time providing strengthened incentives to combat regional disparity. And the designation of regions of disparity is for the first time removed from judgemental and political consideration, and based on objective factual criteria. Finally, the regional incentive is based not on a designation of "in" or "out", but on graduated levels of support depending on need.

The Industrial and Regional Development Program has been in effect since July 1, and is undergoing what could be referred to as its shakedown period. I readily acknowledge that there are bugs to be worked out. But the provisions are sufficiently flexible to permit confidence that these wrinkles will shortly be smoothed.

Expressions of concern have arisen to some degree from areas designated for Tier One assistance. This concern is natural and stems from a perception that the lowest level of available assistance places Tier One areas at a disadvantage — but not only is that perception largely illusion, but from my perspective, totally unjustified. First of all, for most census districts in Tier One, this is the first time they have been eligible for any industrial development assistance from the federal government. Secondly, levels of support in all Tiers are quite generous, varying anywhere from 25 percent to 75 per cent of eligible project costs, depending on the program element and tier level. No area can realistically be called disadvantaged.

The new program, coupled with investment tax credits announced by my colleague the Minister of Finance in his April Budget, provides you as industrial developers with one of the best arsenals of industrial development assistance anywhere in the industrialized world.

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The fundamental difference between Tier One and the other Tiers consists of the fact that there is no provision for assistance for plant establishment in Tier One. But that is an intentional feature of the program, based on a realistic appraisal of both the needs and opportunities of these areas. By design, Tier One areas contain the bulk of industrialized Canada. Here, we have by and large the infrastructure, the established manufacturing industries and the plant capacity. Surely there can be no doubt that the top priority, particularly in these areas, is to ensure the survival of our existing Canadian industries through the various methods I have previously discussed.

With the low capacity utilization rates currently being experienced in the most developed parts of Canada, the fundamental challenge in these areas must be to do all we can to bring about a return to the 90-plus per cent levels we enjoyed during the so-called boom years.

And bear in mind that the fact of the matter is, there are very few new industries being established in the entire world, given the internationally low capacity utilization rate.

Clearly, the bulk of new activity under current conditions will come from established firms taking up the slack that now exists rather than from new enterprises.

There is an important message here for all industrial developers, and particularly for those of you who represent TierOne and Tier Two areas.

There will be bigger pay-back from promoting the interests of existing firms than from seeking new enterprises.

And do not forget that small and medium size businesses are the backbone of the Canadian economy, and they exist in all parts of Canada. Small and medium size businesses account for more than half the total business jobs in Canada. And even in the manufacturing sector where they account for a small portion of the total employment base, they are responsible for 70 per cent of net jobs created.

In general, in pursuing government assistance, I would advise against being too preoccupied with your tier designation. The real returns for most of you will come from efforts with existing industries in the area of innovation, modernization and expansion, to improve competitiveness, and in aggressive marketing and import substitution. And assistance in these areas is available in all tiers of the Industrial and Regional Development Program.

An effective industrial developer does not focus too closely on any one program in any event. You do not put all your eggs in one basket.

I have always believed that if we are to solve the problems of regional disparity, the best way is to bring all the levers of economic development to bear in each and every part of Canada. This is what the federal government's reorganization and the new Industrial and Regional Development Program attempt to do.

Export instruments such as Export Development Corporation financing and full use of the Program for Export Market Development can create just as many jobs for your area as an RDIA grant.

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A recent example comes from the city of Brantford. An industrial town, Brantford was hit hard, like all of us, by the recession, and unemployment in 1980 jumped to 13 per cent. Assistance was available under the Industry and Labour Adjustment Program, and was vigorously exploited by the city.

And I want to emphasize the point that some 80 per cent of the eligible costs of projects assisted under ILAP in Brantford were for projects launched by existing firms in the community.

But Brantford was more farsighted than to look only at plant establishment. The Chamber of Commerce and the ILAP Community Adjustment Committee launched an Import Replacement Study that identified 55 items being imported into the area that could be produced locally.

The study also identified local companies interested in exporting. Officials from our department pursued the subject of exports and available government assistance with 35 area firms. The initiative was a notable success, and the Chamber of Commerce is establishing an export club bringing together exporting firms with those wishing to do so.

That is effective industrial development: combining all the elements, from identifying the opportunities right through to marketing.

Government assistance is not the only ingredient in the mix of successful industrial development, and in fact, will not be very successful without the others, including the concerted effort of federal, provincial and municipal government, Chambers of Commerce, labour councils, educational institutions, trade associations and, in short, all the players in the game.

I should mention that while we were designing the new program we were also revamping our program delivery. We have based the organization of the new department on localized decision-making and localized delivery. We have regional offices in every province, and branch offices in many other centres. We have attempted to ensure that business people, and indeed, industrial commissioners, do not have to travel to the National Capital or even to the provincial capitals to deal with the Government of Canada.

One of the most difficult aspects of administering any federal program is effective implementation at the local or community level — getting the program out of Ottawa and into the rest of Canada. Industrial developers, being for the most part municipally based, have a key role to play in this process. Your aims will be parallel to those of our Regional Executive Directors. Get to know them well. If you and our Regional people are not crossing paths on a continuing basis, one or both of you is at fault.

My own experience indicates that truly effective action in industrial development is cooperative action. And cooperation is not always readily achieved in our pluralistic society, with its push-pull of federal-provincial, inter-regional and labour-management strains.

As industrial developers, you are in an ideal position to play the role of catalyst in generating consensus and cooperation. The diverse interests involved in the industrial development game do not by themselves make up a team. You will have to pull the team together. And you will have to continue to play the roles of manager, coach and quarterback. With the challenges that the 1980s present, you will need all the initiative, drive and imagination you can muster in the performance of your tasks.

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You can be assured of the support of the Government of Canada and our department in the pursuit of the common goal — to do all that is necessary to build stronger industries, which will provide meaningful and rewarding employment and result in a stronger Canada. As one who has seen it happen first-hand at the local level, there is no doubt in my mind that we can meet the goals and aspirations of each and every Canadian in the pursuit of a rewarding and fulfilling life.

Thank you.

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Government  
of Canada  
Industry, Trade  
and Commerce  
and Regional  
Economic Expansion

Gouvernement  
du Canada  
Industrie  
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économique régionale

## THE CANADA EXPORT TRADE MONTH

### SPEAKING NOTES FOR THE HONOURABLE DAVID SMITH MINISTER OF STATE FOR SMALL BUSINESS AND TOURISM AT THE CANADA EXPORT TRADE MONTH ONTARIO LAUNCH TORONTO, ONTARIO SEPTEMBER 30, 1983

Ladies and gentlemen, I am particularly pleased to have been asked to represent the Minister of State for International Trade here today to launch Canada Export Trade Month in Ontario.

As Minister responsible for small business, I am enthusiastic about this opportunity to speak to all of you gathered here. It provides me the opportunity to talk about how small business has contributed to — and can benefit from — a more pro-active approach to exporting and trade.

The slogan for Export Trade Month is "Exports Build Canada". I'd like to add that "exports BUILT Canada".

In Canada's early days, our exports were from trappers, lumberjacks, miners, and farmers. The economic framework of our country was designed to meet the overseas demand for the fruits of the labour of our early settlers.

Things are not quite the same. We still have our miners, trappers, lumberjacks, and farmers, but we also have workers producing laser technology, space arms, micro-computers, and aircraft simulators. And yet, the bottom line remains the same now as it was two hundred years ago. Exporting is the single economic activity which creates the most employment, generates new and real wealth, and helps broaden and diversify the economic base. Exporting and trading with other nations enhances the security of our future.

Today some 2 million Canadians — one in five of the labour force — work in areas directly or indirectly related to export trade. Exports generate nearly a third of our gross national product. There is a good chance that every single Canadian has some connection with export trade.

In 1982, Canada exported goods and service worth approximately 85 billion dollars. Although that is an extremely healthy statistic, it is actually a fractional decline from 1981. And in the trade business, if you're not moving ahead, you're beginning to fall behind.

That's why our government decided to make trade and exporting even more visible. In late June, my colleague, Gerald Regan announced the decision by federal and provincial Trade Ministers to designate October as Canada Export Trade Month, — to bring the attention of the general public and the business community to the importance of export trade to the Canadian economy.

But what role can small and medium-sized businesses play in export endeavours? There is a preconception on the part of some small businesses to regard exporting as something only for the major corporations in Canada — companies who have the resources and personnel to do a "good job". Incorrectly, some small businesspersons do not see themselves as potential exporters. They overestimate the difficulties involved and because of limited human resources and time they doubt their ability to compete on the export market.

Please be assured, many Canadian small businesses have made a success of exporting. But they all have a few things in common: they have researched the area thoroughly; they have a solidly-based Canadian operation; and they have the ability to adapt and adjust. And they have the patience to stay the course.

I'm aware that many of the approximately 3/4 of a million small businesses in Canada could say, "I have those qualifications". We hope that the publicity and events surrounding Canada Export Trade Month will encourage them to test the export waters, and our government is prepared to help and support those efforts.

Besides simple encouragement, we have an array of programs available to help the small businessperson become involved in export trade.

The Trade representatives of any of my department's regional offices can provide market information and publications and advice on export marketing, — information gleaned from trade experts in Canada and trade commissioners from around the world. They can help to identify markets and opportunities to bid on specific projects. They can offer opportunities to help small businesses financially to participate in trade fairs and missions, and they can facilitate government-to-government interaction. Still other programs show how to share the risks of entering a new market through the development of trade consortia. And they can provide day-to-day assistance in arranging credit insurance, loans, and loan or investment guarantees to ease the financial burden of launching a new product overseas.

We also work and consult closely with the private sector and other levels of governments to find out what we can do to encourage and promote more active trade. Recently the federal and provincial governments and the Canadian Manufacturers' Association cooperated to sponsor 11 seminars across Canada to familiarize Canadian exporters with sales opportunities in Western Europe. Some 800 businesspersons attended the seminars and 500 had private interviews with one or more of the trade commissioners, who came from 24 European posts to discuss the possibilities for exporting to this market. The European market, although very competitive, is creditworthy and has niches for the enterprising exporter — large or small. The results and feedback were extremely positive, with businesspersons expressing their appreciation for being provided with a forum that allowed frank discussion on exporting possibilities for their product line, and a chance to "pick the brains" of experts who know the markets abroad.

The Program for Export Market Development, helps Canadian companies enter or expand foreign markets by sharing the financial risk associated with marketing the company's goods or services abroad. Export sales influenced by these activities were worth over \$400 million in 1982-83.

Examples of the program's assistance to small business exporters are numerous. It helped one Saskatchewan company sell computerized theatre tickets in the UK. It assisted another to sell its pig-penning equipment there. Pro-Star Mills in Saskatoon researched and developed new technology for using the common garden pea and it now exports starch for carbonless paper to the United States. It has potential customers for other new processes in France, England, Japan and Australia and for a joint venture in Yugoslavia. It is a good program for small businesses.

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Several Nova Scotia firms are now exporting to the U.S. after using assistance obtained through the Program for Export Market Development. Langville Industries Ltd. participated in U.S. agricultural shows and now exports \$225,000 worth of solid waste spreaders to the central and eastern states. K.B. Electronics Ltd. exports converters and battery chargers. A Montreal company is exporting frozen chinese foods and sauces to the American market.

Prince Edward Island firms in the fish industry have used the program to establish new product markets in the U.S. and Western Europe and their participation in a Boston trade show enabled one food processor to increase its exports of canned vegetables to the U.S. A P.E.I. company that makes frames for eye glasses has now expanded its sales to the U.S., France and Japan.

These are just a few examples of small businesses taking advantage of federal government programs. There are many more export success stories — some of these innovators are sitting among you today. And we would like to see more. So to whet your appetites, we're doing some things that might convince you to drop in on us.

For instance, my department's Small Business Secretariat is sponsoring the publication of a comprehensive new Export Manual for small business.

And the Federal Business Development Bank will be conducting export seminars country-wide and has developed case studies and a participants' manual, in collaboration with the Canadian Export Association. These ongoing seminars will use my department's new manual as a source book for discussion.

Finally, I realize we have a large representation from the manufacturing sector here, so I would like to conclude by addressing a few remarks to you.

The manufacturing activity is the largest goods-producer in Canada and plays a vital role in the economy. It uses the natural resources this country produces and converts them into saleable products. Manufacturing contributes to exporting in virtually all it produces, both through large — sometimes multinational — companies and the thousands of smaller ones.

During the 70s the proportion of our exports that were partly or fully manufactured goods increased from 60 percent to 70 percent. But even that percentage is modest in comparison with the share of world manufacturing trade that Canada can expect to gain in the next ten years. We have the resources, the skilled labour, the enterprising management and federal and provincial government encouragement and assistance.

And, on the topic of provincial assistance, I would like to congratulate the Ontario government for its recently announced Export Success fund. I am sure Mr. Taylor will describe this initiative in some depth, but I would merely like to point out that it is this kind of program which highlights the importance ascribed to the export trade market by all Canadian governments.

Promotion of Canadian Export Trade Month is a joint, nationwide business-labour-government initiative. I would encourage you all to participate in as many of the scheduled activities as you can, and invite you to contact any one of my department's regional offices for any assistance or advice you may require.

Thank you for your attention.

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## STATEMENTS AND SPEECHES

AN ADDRESS BY

THE. HON. ED LUMLEY

DATE

October 28, 1983

## STATEMENT RE: WHITE FARM

OTTAWA, October 28, 1983 -- The Hon. Ed Lumley today issued the following statement when Peat Marwick, the interim receiver, announced the acceptance of an offer from Borg Warner Acceptance Canada Ltd. regarding the assets of White Farm Equipment Canada Ltd.

Mr. Lumley said, "The federal government had four main objectives: first and most important, to provide farmers across Canada with a secure supply of equipment and spare parts; secondly, to ensure the axial flow technology will be developed and exploited in Canada; thirdly, to protect the dealer network as part of a going concern; and fourthly, to maintain the manufacturing jobs in Canada.

"Negotiations were protracted because of the need to hold a number of meetings with the receiver and other creditors to ensure that the offers received fully met our objectives.

"When the proposal comes forward to FIRA for review, I will be examining it closely to ensure that commitments are included which will ensure the realization of these main objectives.

"Borg Warner will purchase the assets of White Farm and maintain the company as a going concern in Canada. At this time, the purchasing company is controlled by Borg Warner but prior to the closing of the purchase its shares will be transferred to a Canadian third party to be named at a later date.

"Borg Warner will provide the necessary financial assistance to the purchaser to enable it to reopen the plant in Brantford as soon as possible. Parts will be manufactured first, with the combines added as market conditions improve. Borg Warner has also given assurances that the Axial Flow Technology developed by White will be exploited in Canada.

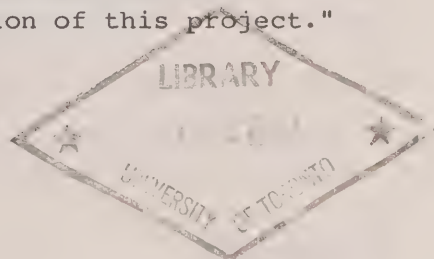
"The receiver is to be complimented for achieving the goals we set out for them. As well, the creditors by being flexible in their approach contributed to the successful conclusion of this project."

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FOR FURTHER INFORMATION, CONTACT:

Doug Fyfe (613) 995-8900

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## DÉCLARATIONS ET DISCOURS

UNE ALLOCUTION PRONONCÉE PAR

M. EDWARD C. LUMLEY

DATE

LE 28 OCTOBRE 1983

### DÉCLARATION AU SUJET DE LA WHITE FARM

OTTAWA, le 28 octobre 1983 -- Aujourd'hui, M. Edward C. Lumley a fait la déclaration suivante lorsque M. Peat Marwick, le séquestre provisoire, a annoncé l'acceptation d'une offre faite par la Borg Warner Acceptance Canada Ltd. au sujet de l'actif de la White Farm Equipment Canada Ltd.

" Le gouvernement fédéral poursuivait quatre grands objectifs : le premier, et le plus important, consistait à assurer aux agriculteurs canadiens des approvisionnements en équipement et en pièces de rechange; le deuxième visait à faire en sorte que la Technologie du flux axial soit mise au point et exploitée au Canada; le troisième était de protéger le réseau de marchands qui fait partie intégrante de toute l'entreprise; le quatrième prévoyait le maintien des emplois liés à la fabrication au Canada.

Les négociations se sont prolongées en raison du nombre de réunions qu'il fallait tenir avec le séquestre et les autres créanciers, pour vérifier si l'offre présentée satisfaisait entièrement à tous nos objectifs.

Lorsque la proposition sera transmise à l'AEIE aux fins d'évaluation, j'en ferai un examen minutieux pour m'assurer qu'elle contient des engagements permettant d'atteindre ces grands objectifs.

La Borg Warner achètera l'actif de la White Farm et veillera à ce que la compagnie fonctionne bien au Canada. A l'heure actuelle, l'acheteur est contrôlé par la Borg Warner, mais avant que l'achat ne soit conclu, ses parts seront transférées à un tiers canadien qui sera nommé plus tard.

La Borg Warner fournira à l'acheteur l'aide financière nécessaire pour lui permettre de rouvrir l'usine de Brantford dès que possible. On procédera d'abord à la fabrication des pièces, puis à celle des moissonneuses-batteuses au fur et à mesure que les conditions du marché s'amélioreront. La Borg Warner a également promis que la Technologie du flux axial mise au point par la White Farm sera exploitée au Canada. "

Le ministre a affirmé : " Nous tenons à féliciter le séquestre pour avoir réussi à atteindre les objectifs que nous avons fixés, ainsi que les créanciers qui, ayant fait preuve de souplesse dans leur approche, ont contribué au succès de ce projet ".

- 30 -

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## THE AUTOMOTIVE INDUSTRY: BUSINESS-GOVERNMENT MODELS OF COOPERATION

SPEAKING NOTES FOR THE HONOURABLE ED LUMLEY MINISTER OF INDUSTRY, TRADE AND COMMERCE AND REGIONAL ECONOMIC EXPANSION TO THE INSTITUTE FOR CANADIAN-AMERICAN STUDIES "THE AUTOMOTIVE INDUSTRY: BUSINESS-GOVERNMENT MODELS OF COOPERATION" UNIVERSITY OF WINDSOR, WINDSOR, ONTARIO NOVEMBER 11, 1983

Let me begin by expressing my pleasure at being here in my hometown, to speak to a seminar at the University of Windsor, my alma mater. I want to thank Ralph Cowan and the Institute for Canadian-American Studies for your gracious invitation.

On the other hand, I stand here with some degree of trepidation. When I look over the impressive array of talent displayed by the list of those who have spoken at this seminar, I am inclined to wonder whether bringing a mere Minister to speak on the automotive industry to such a group is not like bringing a sandwich to a banquet.

I have no hesitation with regard to the specific topic I was invited to address, however. That topic is "models of business-government cooperation." I should say at the outset that when I speak of business I mean both business management and labour, and when I speak of government, in many cases I include our academic institutions as well as the various levels of government. I believe that your general seminar topic, the auto industry in Canada, provides us with an excellent example of business-government cooperation. In fact, if this subject presents any problem at all, it is a problem of there being far too much that I would like to say, given the time available.

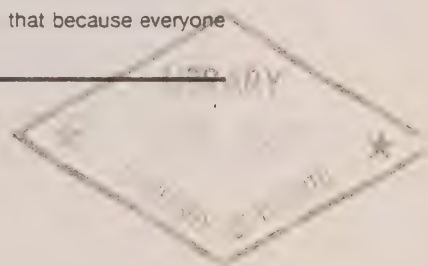
By way of introduction, let me comment on a column that you may recall reading recently in the one of our leading newspapers. Writing about the Canadian Chamber of Commerce meeting in Winnipeg which had as its theme "Partnership for Recovery", the author quoted speakers representing business, labour and government. All had argued that cooperative action on the part of these three constituencies is crucial to our economic and social well-being. The writer concluded with the rhetorical question: "Who is against all this good sense?"

The question was asked sarcastically, of course, the implication being that all this talk of partnership and cooperation is mere motherhood — something everybody pays lip service to while nothing gets done.

I want to deny that implication, as being untrue, and grossly unfair to business, to labour and to government.

I will admit that a great deal has been said recently about the need for a partnership amongst business, labour and government. Having been involved in both the private and public sectors in my career, I have been advocating this approach in public statements for many years, and not just since I was appointed to the Cabinet. The theme was expressed in, and in fact was central to the April budget of the Minister of Finance, The Prime Minister and others of my Cabinet colleagues have been arguing the same case. And as many recent media accounts testify, private sector interests are increasingly speaking out for cooperative action.

But what is unfair, in addition to being illogical, is the assumption that because everyone





is talking the same line, no one is doing anything about it. We have been acting, collectively and cooperatively.

Personally, I can certainly testify as a Cabinet Minister to many excellent examples of cooperative endeavour. During my first years as International Trade Minister I was very pleased to experience the unstinting cooperation of the variety of interest groups who concerned themselves with promoting Canadian trade — all levels of government, business, labour and the academic community.

The Export Trade Development Board, which I initiated in my first year as Trade Minister is widely acclaimed as a productive and successful endeavour, is an excellent illustration of that cooperative action.

And now, in my present portfolio, I am putting together the Industrial and Regional Development Board as well as a private sector advisory council to the Foreign Investment Review Agency, both of these bodies to be made up of a wide mix of representation.

Also, we are in the process of tackling industrial development through industry sector task forces, represented and co-chaired by both management and labour. As you know, task forces have been set up for the automotive, aerospace, petrochemicals and forest products sectors. We are moving to establish additional task forces as well, in textiles and clothing, trading houses and distributive trades, each of which I might add, at the request of the private sector.

Our department, which is the chief instrument of the Federal Government for direct support and assistance to industry in all regions of Canada, was set up and operates on the principle that the private sector, including business management and labour, is the source of our prosperity and should also be the source of the expertise that will lead us to continuing economic growth. The role of government is to institute the climate for growth, act as the catalyst, and where necessary provide direct support.

We know, without further study, the chief areas where concerted, cooperative action is necessary. We know that in this post-recession era we face the strongest competition worldwide that we have seen in modern times. We know that we must adapt to that competition by doing all in our power to improve our productivity. We know that to do so we must be in the forefront of the technological revolution.

And the sectors that will require our concentrated efforts are easy to identify. This year, as I indicated, we have identified several important industrial sectors where this cooperative action can be put to the test. Forest products, Canada's largest industry, which employs 300,000 Canadians, makes a \$12 billion annual contribution to our balance of payments and is the mainstay of many single industry communities across the country, is an obvious priority. Petrochemicals, which is a major link between resource extraction and manufacturing and ties into so many other sectors, is clearly a vital sector. So is aerospace, which not only provides high-technology jobs, but is the generator of so much of the advanced technology that serves to broaden the technological base of Canadian industry generally.

And the automotive industry, which as this audience well knows remains the backbone of Canadian manufacturing, employs over 100,000 workers directly and consumes 17 per cent of the iron, steel and rubber products industries, 14 per cent of processed aluminum, 13 per cent of processed copper and eight per cent of glass and paint.

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If the areas we must focus on are fairly obvious, so is the fact that from the government standpoint, our resources are quite limited. Shortly after taking over my present portfolio, for example, I had to come to grips with the fact that I was presiding over some \$6 billion worth of applications for assistance, all chasing after a \$2.5 billion budget.

Clearly, it is a case that calls for prioritization — where can we best invest scarce taxpayers' dollars so as to derive maximum return to those taxpayers? Where can we invest so as to create or preserve the most productive, long-term employment, and do it most expeditiously?

With all these facts in front of us, we quickly concluded that the best course was to invite the private sector, as represented by the various sectors, to map out for us their views as to where we should be going in order to ensure the viability of their own industries.

Of course, there is nothing new in government private sector consultation. You will perhaps recall the exercise we went through which in 1978 resulted in some 23 separate industry sector profiles. That was a valuable exercise, and I think it taught us all a great deal. But in a sense, it was too much, in too short a period. Twenty three detailed reports were difficult to assimilate at one time, let alone act on the recommendations. And the reports were completed before the hard lessons of the recession had been impressed upon the world economy.

So we changed our approach this time in several ways. First, we decided to take shorter steps. We thought it better to tackle fewer sectors to begin with, and deal with them at a pace that would allow better focus and concentration.

Second, these were to be truly private sector task forces, in recognition of the fact that the economic and industrial expertise effective strategies require rests with business and industry, not with government.

Third, and very important, we wanted the joint advice of both business and labour within each sector. Each group that has been established is therefore co-represented and co-chaired by management and labour.

I do not want to oversimplify the process we have engaged in. These task forces have tackled and are tackling some very complex issues, which do not always lend themselves to easy solutions. On the government side, we have received recommendations that embrace many areas of policy and involve various departments.

But to those who may be tempted to conclude that this is another exercise involving much study, but no action, it is worth pointing out that where fast action is possible, it has already been taken. We have already responded to most of the interim recommendations of the Forest Industries Advisory Committee, and will shortly respond to those remaining. And in aerospace, acting in accordance with recommendations of that task force report, we have recently announced agreements with firms like Bell-Textron and Pratt and Whitney which in effect put in place a long term strategy to ensure the strength of that sector in the years ahead. These two projects, both of which have been announced in the last three weeks, will create about 9,000 new, direct, permanent, high technology jobs, result in investment of more than \$2.5 billion and generate estimated incremental exports of about \$30 billion.

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With regard to the Automotive Task Force Report, which in keeping with the theme of your seminar is my main concern today, let me assure you that I and the Government take all of its recommendations quite seriously. The report makes recommendations on a wide range of issues, including taxation, government programs, labour management relations and the industry's own response to technological and market developments. The most publicized recommendation is, of course, the proposed trade policy framework, under which all manufacturers selling in Canada would be required to make commitments for Canadian sourcing and production comparable to those under the Auto Pact.

I will come back to this recommendation in a moment, but first let me remind you that we have not been idle with regard to the Task Force's recommendations.

We decided, in studying the Task Force report, that the recommendations were of varying complexity and lent themselves to a three-phase response.

Phase one embraced the simplest recommendations in terms of our ability to respond quickly.

Thus on August 15 I announced our intention to establish an automotive council as an ongoing forum for discussion. The Task Force recommended this, and we feel it will serve a very useful role.

The Task Force also recommended publication of an annual report on the automotive industry, and I was pleased to be able to agree.

The Task Force emphasized support for development of the Canadian parts industry, particularly for expansion of its technological base. We are now working with the Automotive Parts Manufacturers Association to identify and assist Canadian companies interested in joint ventures or licensing projects involving acquisition of new technologies. There was a joint venture mission to Japan in June, and there will be others to Japan and Europe next spring.

A consultative program is under discussion with the industry to examine opportunities for expanded parts production in Canada and productivity gains in the sector.

With regard to the Task Force recommendation on government support for technological and industrial development in the automotive sector, I believe our department's new Industrial and Regional Development Program, launched in July, complemented by the sector-specific Industry and Labour Adjustment Program, is well suited to the industry's needs.

In response to Task Force recommendations regarding labour adjustment and human resource development, the Department of Employment and Immigration is exploring with the industry the possibility of a Memorandum of Understanding on Human Resource Planning under which joint initiatives could be launched.

The Department of Employment and Immigration will also be responding to the recommendation for improved manpower planning through creation of a Human Resource Planning Board, with representation from labour, industry and the federal and provincial governments.

The recommendations regarding sales tax, the general preferential tariff and improved labour adjustment benefits will constitute three key elements of phase two of the Government response, and we expect to be able to make an announcement on these items in the very near future.

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Phase three of our response will deal with by far the most complex of the Task Force recommendations — those matters concerning major trade policy considerations.

I have made my basic position on the trade policy considerations quite clear. The Government shares the concerns raised by the Task Force in this area. We, too, firmly believe that those companies with a significant share of the Canadian market should employ Canadians in the manufacturing process.

We, too, believe that Canada has many attractions as a location for automotive investment, and it has an educated, efficient and dedicated workforce to offer prospective investors. And we will do all in our power to see that investment put in place.

But I believe reasonable people will agree with my contention that to bring about such investment, negotiation is much preferable to legislation. We would far prefer to resolve our trade problems by persuading foreign manufacturers, particularly the Japanese, to create jobs in Canada by establishing facilities here and sourcing parts from Canadian firms. So we are negotiating, seriously and persistently.

Let me assure you that we have not rejected any option, including legislation with regard to Canadian content. And we will not wait forever for negotiations to bear fruit.

Indeed, to prepare the ground work for trade policy measures which would be necessary should negotiations fail, I have instructed my officials to draft proposals for Cabinet consideration upon which legislation would be based.

In sum, and getting back to the topic of business-government cooperation, I think that well-informed and objective observers will conclude that we are today demonstrating, as never before in peace time, that the private sector — business management and labour — are very effectively cooperating with government to achieve those goals which are in the national interest. Our industry sector task forces are, to me, an excellent example of such cooperation.

Of course, Rome was not built in a day, and we have much work yet to do.

I expect also that our cooperative efforts — and successes — will, by the nature of the mass media and public debate, go largely unrecognized. Controversy and confrontation are, unfortunately, more newsworthy.

And also I suspect that there is many a cynic around who will not be convinced with regard to business-government cooperation until the "great debate" on industrial strategy is somehow resolved. By the "great debate" I mean that sterile argument which seems to have become polarized around two opposing scenarios, each of which is equally unrealistic.

On the one hand, you have those who envisage an industrial strategy as the work of a group of bureaucrats in Ottawa, all neatly packaged in a single document, and imposed upon the Canadian economy by the Government, in much the same way that Moses brought down the tablets of stone from the mount.

On the other hand, we have those who maintain that only the private sector is able to pick the winners, and that government should have no say in industrial affairs, as though our economic development and well being have nothing to do with the government's legitimate goals of combatting poverty and regional disparity.



But I do not believe we have to wait for the outcome of that debate. I believe there will be the full cooperation of the private sector. We are progressing according to plans that, while they may not satisfy the proponents of the "one big document" school of industrial strategists, nonetheless constitute the industrial strategies we should be following in the years ahead.

I believe both the private sector and government understand their respective roles quite well. Mr. Lalonde, in his April Budget described the private sector as the engine that drives the economy and the government as the instrument for creating the appropriate climate. Our industry task forces, and the government's various responses to them, are actions taken in that overall spirit.

In short, I think that while others debate, we are getting on with the job.

And to those of you who are anxiously awaiting the government's ultimate response to the Automotive Task Force recommendations, my message is that I firmly believe that you will eventually conclude that the Automotive Task Force exercise was after all an excellent model of business-government cooperation.

Thank you.

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